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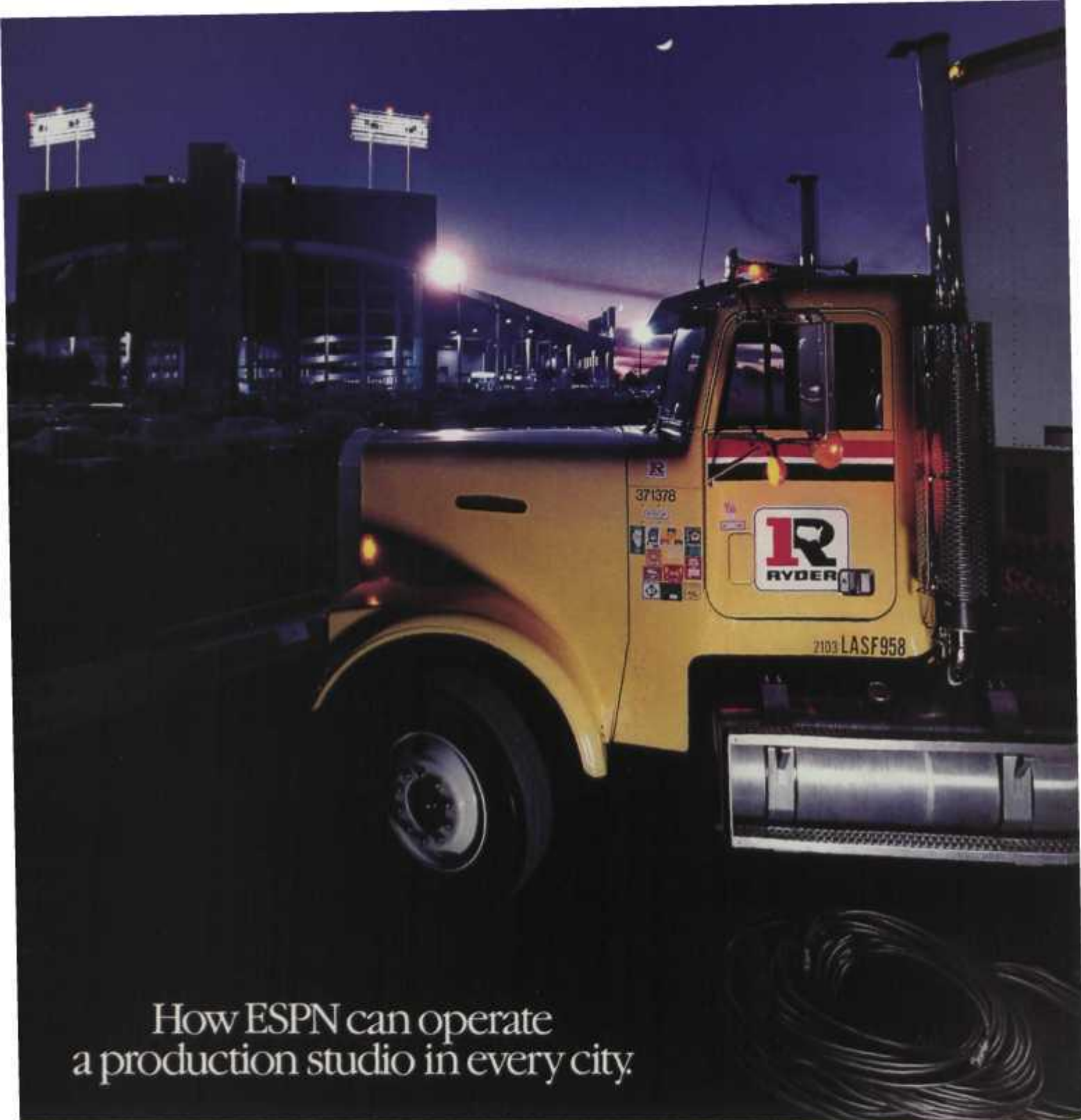
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**What Labor's Agenda
Could Cost You** page 25



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MANAGING YOUR BUSINESS

Claudia Marshall, a Travelers Corporation vice president, believes it is possible to combine a demanding

career with a family and marriage. Her family: husband James Shelton, Christopher, 9, and Ryan, 5. (Page 18)



PHOTO: TOM SIBOLIN—BLACK STAR

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Cover Design: Vignelli Associates

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1987 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, \$22; two years, \$35; three years, \$46; and in combination with the newspaper *The Business Advocate*, one year, \$30; two years, \$55; three years, \$79. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. Postmaster: Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895. Subscriber Service: 1-800-638-6382 (in Maryland, 1-800-352-1450).

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Harry Whittelsey offers his customers only products that he can back.

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John Simms (left) and John Krisik have catapulted to success with the Croakie, a clever—and colorful—little strap that keeps eyeglasses in place. (Page 78)



PHOTO: T. MICHAEL KEIZA

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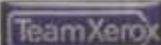
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Making Men Comfortable

By Sharon Nelton

Men are still very uncomfortable dealing with women on a peer level. They're used to dealing with women as wives, secretaries, lovers or subordinates. It's very difficult for them to treat me the same way they treat a man."

So says Jane Evans, one of the most lauded women executives. Still in her early 40s, she has been president of I. Miller, Butterick Company, Inc., and Monet Jewelers. Recently she left Monet to become general partner in Montgomery Securities in San Francisco.

She is not the only one who speaks of male discomfort. As *Nation's Business* researched its cover story on the impact women are making at all levels of business, we found that uneasiness between the sexes was a frequent theme.

In his book, *One-on-One with Andy Grove*, due from G.P. Putnam's Sons in June, Intel chief Andrew S. Grove writes: "When women first appear in a new line of work—for instance, in management—they are greeted with a cautious, awkward attitude by the men around them. We simply don't know how to act, we don't know what we can and can't say; suddenly we become self-conscious."

And at the American Woman's Economic Development Corporation's annual conference recently, Jeanette Wagner, president of Estée Lauder International, told a group of corporate women: "Men need to feel more comfortable with women, and the more you can raise that comfort level, the more successful you will be."

In family businesses, too, the men are edgy. "It's still a little awkward for them to accept a woman running the show," acknowledges John A. Welsh, director for entrepreneurship at Southern Methodist University's Edwin L. Cox School of Business. And family business specialist Matilde Salganicoff of the University of Pennsylvania's Wharton School says it's hard for a male business owner to see his daughter as a potential successor, not as a little girl he needs to protect.

Estée Lauder's Wagner urges women to learn to use sports jargon because

"sports language raises people's comfort level." Both she and Jane Evans urge women to use light, appropriate humor (read: not dirty jokes) to defuse men's discomfort. And Wagner even counsels smiling.

Does this sound familiar—women having to be caretakers, even in the executive suite? Haven't we come any further than that?

"A woman's self-confidence and belief in her right to succeed will help her colleagues believe in her, too."



PHOTO: T. MICHAEL KEZA

You might think that men, who have worked with women in large numbers for more than a quarter century, would feel comfortable with them by now. You would think, since men still hold the more secure and powerful positions in business, they would take it upon themselves to make the newcomers—who are just as uneasy—feel comfortable. Something like a corporate Welcome Wagon.

And there are some admirable attempts. Determined to hold onto its 30,000 female employees, Du Pont, for example, started a program to help reduce male-female tension on the job. It also has a program to help employees

make a smooth transition to parenthood.

Efforts like these go a long way toward making a woman feel comfortable and valued in the workplace and encouraging her to stick with a company and give it her best.

But, although most women would welcome any evidence that their male colleagues see them as true peers, many observers say the burden is still on the woman. She is the one who wants the change; she is going to have to force it, even when that means making the effort to put men at ease.

Businesswomen Evans and Wagner aren't counseling women to provide male executives with the boardroom equivalent of slippers and pipe, however. They tell women that, ultimately, the more professional they are and the more competent their performance, the more acceptance they will gain.

Even Wagner's entreaty to smile has a performance reasoning behind it. "I've heard senior executives walk down the hall and say, 'That's a bad manager in there, because there's no one in there smiling.'" She says you will be judged as a manager by how happily your team seems to function.

A woman's self-confidence and her own belief in her right to succeed will help her colleagues believe in her, too. Happily, there are signals that women are gaining that confidence.

Although women over 50 are still inclined to be apologetic about success, younger women are not. SMU's Welsh says women started showing up in his entrepreneurship classes only about 10 years ago, and they acted as if they were afraid to be there. Now there are as many women as men in the classes, and the women behave as if they had just as much right to be there as anybody else. What's more, they are completely accepted by their male peers.

Such attitudes offer hope that the corporate battle of the sexes will ease with time, as we all grow into unfamiliar, challenging new roles.

This is a period of wrenching social change, and it's tough on all of us. So let both sexes be patient and supportive. And let's make each other comfortable. ■

Senior Editor Sharon Nelton is a specialist on entrepreneurship and author of *In Love and In Business*.

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COMMENTARY

Letters

Hungary: Another View

The author of "International Spotlight" [March] seems to have accepted blindly what his Hungarian sources apparently told him about their country. I know a bit about Hungary, as I covered it when I was *Time* magazine's East European bureau chief in the early 1970s.

Do you really believe, as you write, that Hungarian Communist Party leader Janos Kadar has "guided" his country for the past three decades? Kadar is no "guide." He is a dictator who has tolerated absolutely no challenge to the rule of the Communist Party.

Do you really believe that Hungary has "close . . . political ties with the Soviet bloc"? "Ties" is a curious word to describe how the Soviet Union has forced Hungary and other East European countries into COMECON and the Warsaw Pact. When Hungarians revolted against those "close ties" in 1956, it was Janos Kadar whom the Kremlin used to gun down the attempt to loosen the ties.

Do you really believe that "the Hungarian Chamber of Commerce . . . has become one of the most influential institutions of the country"? The Chamber's "influence" is a tiny fraction compared with that wielded by the Socialist Workers' (read: Communist) Party and its subsidiaries.

Hungary suffers less repression than some of its East Bloc neighbors. Still, as the State Department report of February, 1987, on human rights points out, the Communist Party "maintains a complete monopoly on political power . . . Civil rights . . . [are] often arbitrarily restricted. Political expression is still tightly controlled."

Burton Yale Pines
Senior Vice President
The Heritage Foundation
Washington

Editor's Note: The purpose of the article was to inform readers of the growth of business opportunities in Hungary and to let them know that various organizations offer assistance to American firms wishing to explore those opportunities. The sources for the article included American business people who are engaged in commercial relations with Hungarians, as well as Hungarian gov-

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COMMENTARY

Letters

ernment officials. In this effort to convey helpful information, we regret the use of any terminology that would lead readers to infer that we are unaware of Hungary's status as a Soviet-bloc nation under a Communist government.

In addition, a statistic used in the article requires clarification. The 1986 World Fact Notebook, published by the U.S. Central Intelligence Agency, says the per capita gross national

product for Hungary is \$7,200—the figure we used in the article. The World Bank Atlas, 1986, puts that figure at \$2,050. The CIA and the bank use different formulas for converting the Hungarian data into U.S. dollars, and economists tell us the bank's method is more accurate.

Learning To Lead

In my opinion, management that does not provide training for supervisors

gives away responsibility and ducks all real accountability. As Myles E. Moore's column ["Don't Promote One Of The Boys," March] asserts, a strong supervisory training program is a sure sign of good management.

James E. DePoe
Stafford, Tex.

Right Idea, Wrong State

Kings Super Markets was delighted to be included in your story, "The New Attraction In Leasing" [March]. You accurately portrayed our feelings on leasing, but you incorrectly identified Kings as based in Boston. We'd like your readers to know that Kings Super Markets' home office and distribution center are located in West Caldwell, N.J.

Robert Schwartz
Vice President, Sales and
Merchandising
Kings Super Markets, Inc.
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Bringing Up Baby

I was delighted to read "Child Care: Your Baby?" [December]. It is wonderful to hear of more and more companies who are investing in on-premises child care for their employees. To a young college woman who hopes someday to have a career as well as children, this trend is most encouraging.

Ruth Hernandez
San Marcos, Tex.

Paying The Piper

You polled your readers on the issue of a national consumption tax to cut the deficit ["Where I Stand," November]. While a graduate student, I researched the possibility and found such a tax would be better than an income tax. The major benefit would be encouragement of savings over spending, which would stimulate economic growth through an increase in the availability of capital.

One caveat should be noted, however. This advantage would be lost if certain expenditures or sources of income are made exempt from taxation. As with any issue before Congress, changes made to please special interests could water down the proposal so we would not reap the full benefits of a "pure" consumption tax.

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consumption tax that ultimately would have the same effects as an income tax.

*Scott F. Orr
Houston*

The past six years provide an unprecedented experiment in economics—the first American episode of sustained deficit caused by increased military spending and tax cuts.

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We cannot sustain, let alone remedy,

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our economic health when the vast majority of private savings goes into purchasing government paper rather than real assets.

*Dailey J. Berard
New Iberia, La.*

Who Owns This Place?

Please be advised that if government-mandated health coverage proposed by Sen. Edward M. Kennedy (D-Mass.) is enacted ["Where I Stand," March], our small business would have to fold in a month. After investing our life savings and satisfying the Small Business Administration and the bank, we still pay out so much that it seems we are working for the government, the accountants, Long Island Lighting Company, the insurance companies, our employees and the oil and gas company.

I fear thousands of small businesses with anywhere from one to 25 employees will go bankrupt if another financial burden is added.

*Tommy Madden
Speonk, N.Y.*



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The Nation's Business

By Joan C. Szabo

Business Outlook

Inflation Begins To Stir

Economists are growing increasingly concerned that inflation might be regaining strength. The result, say many forecasters, could be an inflation rate three to four times more robust than last year's mild 1.1 percent.

Higher oil prices and a declining dollar are the major forces pushing up the rate. "The big unknown is the cost of oil, which could go either way and cause big swings in the numbers," cautions Richard Rahn, vice president/chief economist of the U.S. Chamber of Commerce. He expects energy prices to weaken a little more and then bounce back.

Rahn looks for a Consumer Price Index of 4.1 percent in 1987 based on fourth quarter to fourth quarter projections. Ben E. Laden, chief economist for T. Rowe Price in Baltimore, expects a rate of 4.5 percent, while Laurence H. Meyer of the St. Louis-based economic forecasting firm that bears his name is projecting 3.7 percent.

Last year's low inflation numbers, the best in over 20 years, resulted in large part from inexpensive oil. Says Sung Won Sohn, chief economist for Norwest Corporation in Minneapolis: "Excluding the volatile components of food and energy, the price increase was about 3.5 percent in 1986."

In addition to the cost of oil, a weaker dollar is making imported goods more expensive. Says Rahn: "The continuing decline in the value of the dollar against the Japanese yen and German mark is one of the single most important factors in this year's inflation picture."

In addition, the falling greenback "gives domestic manufacturers greater leeway in raising their own prices as foreign competitors are priced out of the market," notes Harold Nathan, vice president and senior financial economist for Wells Fargo Bank in San Francisco.

Tax reform will also contribute to more inflation, Laden adds. "With the shift of the tax burden toward busi-

Predicting Inflation's Upward Climb

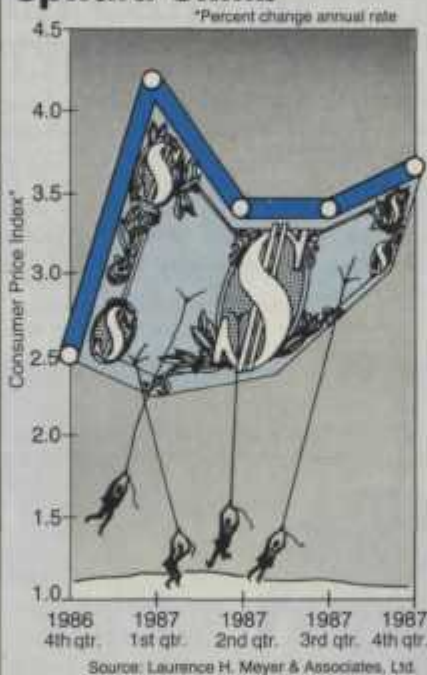


CHART: MARY L. CZARNEK

ness, companies will have to restore their after-tax rate of return, which means higher prices."

Still another factor pushing the numbers upward is the revised consumer market basket of goods and services now being used by Washington to measure prices.

The revision is undertaken every 10 years by the Bureau of Labor Statistics to reflect more accurately current household spending patterns and population shifts. The latest revision gives more weight to housing costs and less to commodities, groceries and used cars. Says Donald Ratajczak, director of the Georgia State University Economic Forecasting Center: "We expect 0.3-percentage-point higher inflation rates because of the changes."

On the positive side, wage increases are expected to remain sufficiently moderate to continue as a restraining

influence on prices, particularly in domestic manufacturing and service industries, analysts say. Another plus, says Laden, is the fact that "worldwide excess demand for commodities and other goods is absent this time—a situation which gave us extremely high inflation numbers in the 1970s."

Consumer Buying Shifts

Recent sales figures from the nation's major retailers indicate consumers have begun to shift from big-ticket purchases such as autos and other durables to soft goods like apparel and home accessories. One reason for the shift, the experts say, is that many consumers purchased big-ticket items last year to qualify for the sales tax deduction under the old tax law.

"Sales of nondurables will strengthen as the year goes on. They should pick up more momentum, especially if the trade balance improves and generates more jobs and income," says Rosalind Wells, chief economist for J.C. Penney Company.

In the second half of the year, some analysts see the sales of housing, autos and other durables as strong. Mickey D. Levy, senior vice president and chief economist for Fidelity Bank in Philadelphia, expects stronger housing activity to stimulate spending for home furnishings in the second half. He also sees "renewed strength in durable goods unfolding as households get a clearer picture of their balance sheets after tax reform."

Even so, the prospects for higher prices can't be ignored, some caution. Says Harold Nathan of Wells Fargo Bank: "Households will find it difficult to generate the kind of spending growth experienced last year because purchasing power is being squeezed by higher inflation."

Your Share Of The Debt

How much would every man, woman and child in the United States have to pay to eliminate the national debt? Nearly \$10,000, says the Tax Foundation of Washington, a nonpartisan research and education group.

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Business Outlook

capita payoff total of just 10 years ago. In that decade, the debt has increased 224 percent—from \$709 billion to \$2.3 trillion, while the population has only gone up 11 percent, from 219.7 million to 243 million.

And the individual citizen's share of the debt is going higher within the next month. Congress once again has to au-

thorize a higher debt ceiling to allow the government to continue borrowing if it is to keep operating.

As the debt increases, so do interest payments. Interest costs this year are estimated at \$140.9 billion. They will consume 15.3 percent of total budget outlays, up from 8.9 percent at the start of the decade.

Small Business Report

A new government report calls for a cooperative funding effort by small businesses and their employees to upgrade employees' skills. These workers participate in a Boston retraining program.



PHOTO: RICK FRIEDMAN—BLACK STAR

Blueprint For Competitiveness

Small business can make a major contribution to restoring America's competitiveness, says a federal commission. Established by a bipartisan coalition of House and Senate members in September, 1985, the National Commission on Jobs and Small Business was charged with recommending policies to create 10 million jobs through small business. The commission, made up of small business leaders and legislators, was directed by former Presidents Gerald R. Ford and Jimmy Carter.

A special report recently published by the group calls for new attention to the potential of America's entrepreneurs and small businesses as engines for economic growth.

Entitled *Making America Work Again: Jobs, Small Business and the International Challenge*, the report

spotlights the close ties between small business and U.S. competitiveness. For example, the report says, even though small business creates 60 percent of the new jobs in the United States and is responsible for half the gross domestic product, relatively few small companies are exporters.

The report notes that only 10 percent of American firms export goods and services and just 250 companies account for nearly 80 percent of the dollar volume.

In addition, small business has experienced an absolute decline in real exports since 1980.

Making matters worse, only 1 percent of the Small Business Administration's loans were used for exporting between 1983 and 1985, and no export loans were made in 1986.

The report recommends sweeping changes in policies on education, invest-

ment and trade and in the efficiency of government and business. Such changes are needed, it says, to deal with "a new age and a different world" in which the United States has become an "import sponge."

Says Sam Beard, chairman of the commission: "Small business is an asset that can be used to restore America's economic position. It is a prodigious generator of new jobs, and we have ignored its potential to our detriment."

Some of the recommendations offered include:

- Establishing individual training accounts by business in cooperation with employees, to upgrade workers' skills and develop new ones.

- Supporting educational leave and tuition reimbursement by business for employees' educational expenses.

- Reinstating the Investment Tax Credit and making it more useful to small business.

- Setting up small business mutual funds in the private sector to direct capital investment into small business.

- Increasing from 35 to 100 the permissible number of shareholders in an S Corporation to expand the firm's base for raising funds.

When a firm has S corporation status, earnings are not taxed at the corporate level. Income passes to shareholders in proportion to their ownership in the firm and is taxed at personal rates.

- Requiring Eximbank to market its existing small business export financing programs more aggressively.

- Convening a global conference on small business in the early 1990s to discuss the expansion of small enterprises throughout the world.

- Developing an international commerce business daily newspaper to provide timely marketing leads to small firms nationwide.

- Creating incentives for multinational corporations to use U.S. small businesses as subcontractors in overseas projects.

The recommendations serve as suggestions for what needs to be done, say the report's authors, and "represent a starting point for productive debate."

The Pinch Of Double Taxation

If you plan to sell your small business, you still have time before double taxation kicks in. Tax reform repealed the "General Utilities Doctrine" that allowed small business owners to sell their companies with minimal tax consequences. In the past, when a firm

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Small Business Report

was sold, shareholders who received the proceeds were responsible for paying the tax. The corporation itself paid none.

Now the seller will pay two taxes, one at the corporate level on the gain from the asset sale, the other at the individual stockholder level when the proceeds are distributed.

But there is breathing room for closely held corporations valued at less than \$5 million. They have until the end of 1988 to sell without being affected by the doctrine's repeal. For companies in the \$5-to-\$10 million range, there is partial relief over the next two years.

To avoid the impending pinch of double taxation, experts say, don't waste time if your firm is worth less than \$10 million and you are thinking of selling.

"It normally takes at least six to 12 months to complete a transaction from the time the decision to sell has been made," says John E. Hempstead, president of Hempstead & Company, Inc., a corporate valuation firm based in Haddonfield, N.J.

"It therefore behooves the prudent owner to set the process in motion early so that the transaction may be concluded before this window of opportunity closes on Dec. 31, 1988." ■

Washington Roundup

Tax Hike Pressures Mount

A showdown between President Reagan and congressional Democrats is in the making over taxes. Even as the President reiterates his opposition to a tax increase, key Democratic congressional leaders have become increasingly outspoken in favor of one. They say they cannot meet the 1988 budget targets without one.

In the past, Democrats were reluctant to talk of tax increases without President Reagan's support. But that has changed now that the Democrats control both houses. The new Speaker of the House, Jim Wright (D-Tex.), is calling for a tax increase of \$18 billion, and Sen. Lawton Chiles (D-Fla.), chairman of the Senate Budget Committee, is talking about that same figure. Their aim is to wrap the tax increase into a \$36 billion deficit reduction package to meet 1988 budget targets.

A package of \$36 billion is still far short of the \$63 billion needed to reach the deficit target of \$108 billion in 1988 that is required by the 1985 budget balancing act.

Wright has offered several tax hike proposals, including a 0.5 percent tax on stock and bond transactions and a delay in dropping the top individual tax rate from 38.5 percent this year to 28 percent next year.

Rep. Dan Rostenkowski (D-Ill.), chairman of the House Ways and Means Committee, which controls tax matters, rejected both proposals. Instead, he sees excise taxes, such as higher gasoline, cigarette or alcohol

House Speaker Jim Wright (D-Tex.) is seeking an \$18 billion tax boost as part of a \$36 billion deficit reduction package to meet 1988 budget targets.



PHOTO: DANA WALKER-GAMMA LIAISON

levies, as possible options for consideration. But mustering the necessary support for a tax hike is far from certain. Business is mounting a major campaign against the idea of raising taxes on the heels of the 1986 tax reform act that cut rates significantly in return for eliminating many deductions.

The U.S. Chamber of Commerce, for example, is asking members of Congress to sign a "Taxpayer Protection Pledge" that would commit them to allowing the lower rates of the 1986 bill to take effect.

David Burton, manager of the Chamber's tax policy center, points out that the organization is asking its members

to seek commitments from their senators and representatives not to raise income tax rates on individuals and companies or to reduce deductions or credits unless tax rates are lowered on a dollar-for-dollar basis. The campaign delivered thousands of pledge forms to Congress at tax time in April.

Getting At Excess Pension Funds

What do U.S. companies think about proposed legislation allowing them to use excess pension funds for other purposes such as capital investments and training?

They support it seven to one. Those are the findings of a new survey by Mercer-Meindinger-Hansen, a New York employee benefit consulting firm that queried chief executive officers of the country's 2,000 largest companies.

The proposal also would allow firms to withdraw excess pension fund assets to pay health benefits for current retirees and avoid taxes now imposed on withdrawals of assets.

Under present law, to recover its pension plan assets, a company must terminate the plan and then pay a 10 percent tax on the funds.

Lifting The Rules On HMOs

The Health Care Financing Administration is proposing an end to regulations requiring employers to make contributions to Health Maintenance Organizations. Current regulations require employers to contribute to a federally qualified HMO an amount at least equal to the greatest per-employee cost paid toward a non-HMO health plan.

The U.S. Chamber "strongly supports the adoption of the proposed rule," says Jeffrey H. Joseph, vice president for domestic policy. "Numerous U.S. Chamber members have determined that the cost of HMO participation is higher under the current rule than if employers were free to negotiate with HMOs on the appropriate financial arrangement concerning health care coverage for employees."

The regulations were originally issued to protect an "infant" HMO industry. But HMOs are now part of a rapidly growing business that does not need federal help to compete with other health care delivery systems, says the Health Care Financing Administration.

Buck Consultants, a pension and benefits consulting firm, says the proposed change would "redirect HMOs toward competing on price." ■

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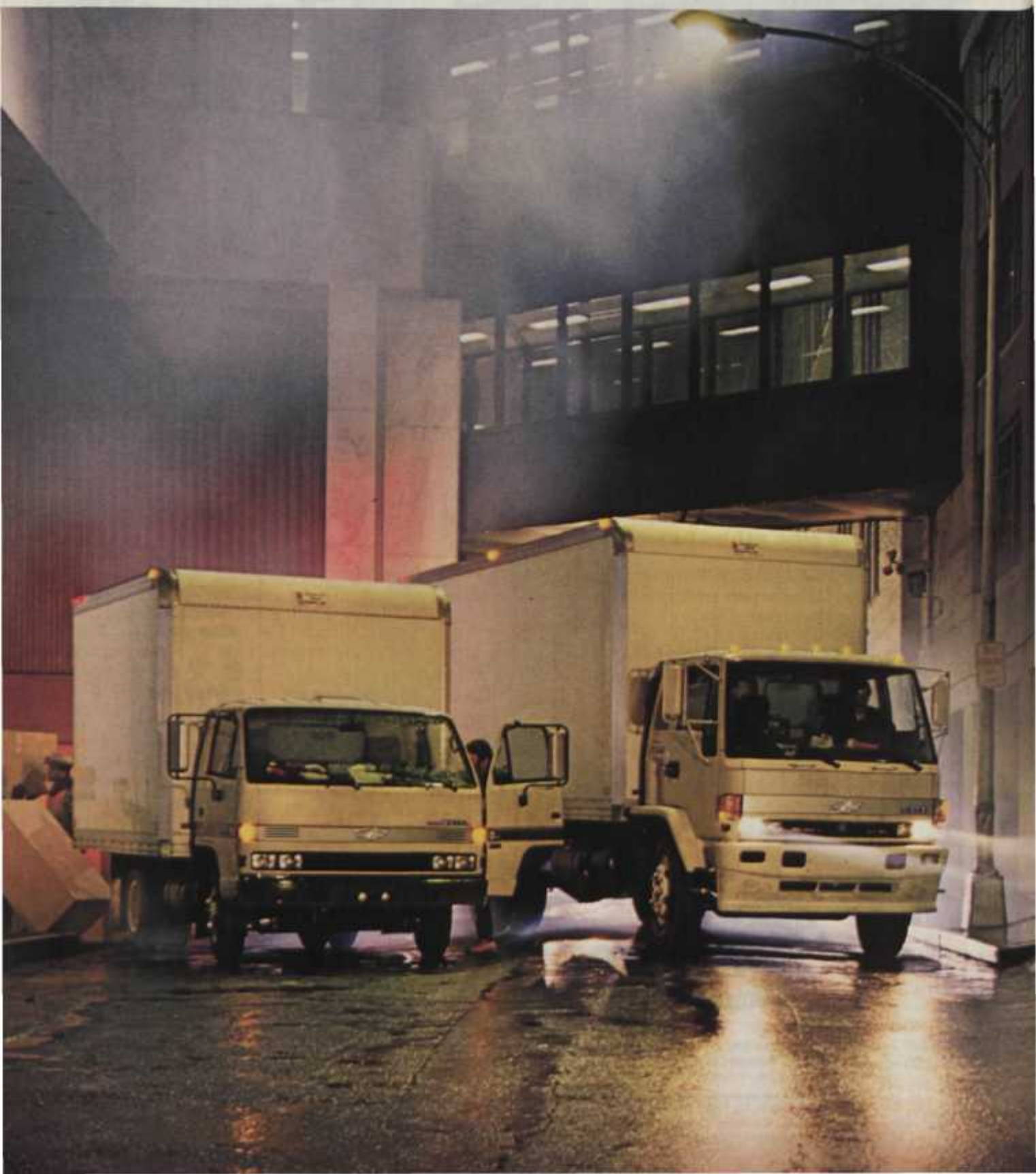
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-Single-Speed	11,020		16,980		20,280		-	
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Engine (Diesel)								
-Naturally Aspirated	3.9L-4 Cyl.	-	5.8L-6 Cyl.	-	-	-	-	
Net HP @ RPM	100 @ 3000	-	138 @ 3200	-	-	-	-	
Net Torque @ RPM	213 @ 1900	-	258 @ 1900	-	-	-	-	
-Turbocharged	3.9L-4 Cyl.	3.9L-4 Cyl.	-	5.8L-6 Cyl.	5.8L-6 Cyl.	5.8L-6 Cyl.	8.4L-6 Cyl.	
Net HP @ RPM	116 @ 3000	116 @ 3000*	-	165 @ 3000 (A)	165 @ 3000 (A)	165 @ 3000 (A)	220 @ 2500 (B)	
Net Torque @ RPM	242 @ 1900	242 @ 1900	-	335 @ 1900	335 @ 1900	335 @ 1900	542 @ 1700	
Transmission								
-5-Spd. Direct	Std.	Std.	Std.	Std.	Std.	Std.	Std.	
-6-Spd. Direct	-	-	-	Avail.	Avail.	Avail.	Avail.	
-4-Spd. Automatic	-	-	-	Avail.	Avail.	Avail.	Avail.	
Frame Type	Ladder		Ladder		Ladder		Ladder	
-Section Modulus	5.3		13.2		16.8		19.7 17.1	
Steering-Type	Integral Power		Integral Power		Integral Power		Integral Power	
-Ratio	21.9:1		18.8-16.1		18.8-16.1		22.4:1	
Brake System	Vacuum/Hydraulic		Air/Hydraulic		Air/Hydraulic		Full Air	
Fuel Tank (Cap.)	33-Gal.		52.8-Gal.		52.8-Gal.		52.8-Gal.	
Tires-Front (Std.)	8R17.5LT (10PR)		8.25-20/10PR	8.25-20/12PR	9.00-20/12PR	10.00-20/12PR	10.00-20/14PR	
-Rear (Std.)	8R17.5LT (10PR)		8.25-20/10PR	8.25-20/12PR	9.00-20/12PR	10.00-20/12PR	10.00-20/14PR	
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Women: The Second Wave

By Sharon Nelson and Karen Berney

In the mid 1970s, women began to pursue success in business careers in significant numbers. How have they fared?

There are complaints—on one side that women are not moving up the corporate ladder fast enough and on the other that they are not committed to their careers and often drop out.

In this special report, *Nation's Business* takes a close look at just what is happening to women in the business world today and puts into focus the often contradictory perspectives offered from various sources on this question.

Some key findings: Far more women stay in business than leave and there is evidence that they are indeed moving up, not only in larger corporations but also by the alternative routes of family businesses and enterprises they start themselves.

Women appear to be in a second wave of progress, better prepared for business than ever before. About a third of today's graduate business degrees, for example, go to women. Companies, too, are starting to take real steps to recruit women.

Still, there are problems. Only 2 percent of top management posts are held by women. And one study shows that women at the vice presidential levels and above earn 42 percent less than their male peers.

It takes a chief executive 15 to 25 years or more to reach the top, and many observers say there has not yet been enough time for women to advance to senior management levels. Clearly, they suggest, the business world is poised for the third wave, in which we will see some of our most talented women cross the threshold into the highest levels of corporate America.

In the meantime, their presence and influence in businesses, ranging from the smallest to the largest, continue to grow.

Women Who Have It All

In the 1950s, Dad worked and Mom kept house. As the day drew to a close, middle-class American families gathered for a sacred rite—the evening meal.

So it was in Claudia Marshall's childhood home. She might have been expected to carry on the tradition. After all, "It's what I was taught," she says.

But Marshall came of age in the '70s, when women were scrutinizing their

roles in society and joining the work force in record numbers. Marshall had a liberal arts degree and wanted to use it. So, after the birth of her first son, Marshall hired a baby-sitter and got a job as a marketing representative for IBM in New York. Still, "I wanted to do some things the way my mother used to," she says. As she envisioned it, she would rush home from work to recreate the home of her youth.

Yet as her eight-hour workday stretched to 10 and sometimes 12 hours, her commitment to the cozy family dinner began to waver. "I took a close look at the ritual and decided that it had to go," she says. Rather than cook, she

Claudia Marshall, vice president of marketing and communications at the Travelers Corporation, at home with her family, James Shelton,



PHOTO: TIM SOBOL—BLACK STAR

would have the baby-sitter feed her son before she got home, and she prepared light, late night suppers for herself and her husband James.

Letting go of a time-honored practice is one of many trade-offs Marshall says she has willingly made. Today she has a master's degree in business administration and directs 130 employees as vice president of the marketing and communications services division at the Travelers Corporation in Hartford. She is rearing a 5-year-old and a 9-year-old, has a marriage partner of 13 years and aspires to higher level management. She is convinced that she is a better manager because of motherhood and

A Nation's Business examination of the state of women in business finds them better prepared than ever and poised for a new round of achievement.

Christopher, 9, and Ryan, 5. Marshall believes it is possible to combine a demanding career with a family and marriage "if you have a proper

degree of organization and structure." To make the most out of her family time, she plans activities in advance.



that her work experiences enrich her family life. When Marshall reviews her decision to trade a life of domesticity for a full-time career, she feels no remorse: "I can't imagine having done it any other way."

Marshall's attitude is increasingly common among managerial women. That attitude embraces work and family with equal enthusiasm because it sees the two as mutually reinforcing. Successful women decry the frequently asserted notion that, as much as they try, they cannot have it all—a fulfilling career, children and a happy marriage.

Such talk infuriates them, reports Ellen Van Velsor, a researcher at the Cen-

ter for Creative Leadership in Greensboro, N.C., who interviewed 76 senior executives in the nation's 100 largest companies for a forthcoming book, *Breaking the Glass Ceiling* (Addison-Wesley Publishing Company). She says they resent the assumption that to reach the top, they must have made decisions to the detriment of their families. They want to know why it is business as usual for a man to stay late at the office, but a sacrifice for a woman.

Like Marshall, the women in Van Velsor's study speak not of sacrifice, but of trade-offs: less personal time, reliance on baby-sitters, working vacations. They are not trying to be super-

moms, perfect wives and ideal employees. Says Van Velsor: "They made their choices, and they are not looking back."

Some women are bailing out of corporate life. They are taking less demanding jobs in small companies, staying home or launching their own businesses. The greatest number, however, are shaping careers in companies they do not own. But whether they are entrepreneurs, CEOs or managers, these women are finding ways to reconcile conflicts between work and family.

Bonnie Sevellon's struggle was to confront and conquer the superwoman myth. Currently director of advertising at Potter, Hazlehurst, Inc., a Greenwich, R.I., public relations agency, she got her first break a few years ago when she was a single mother of two and was offered a sales manager's position requiring her to travel 50 percent of the time. For months she wrestled with this question: Would she be a bad and neglectful mother if she left her kids in someone else's care?

Sevellon took the job and hired live-in help. But before she could set foot on a plane, she had to accept that she couldn't have it both ways—be a perfect mother and a traveling executive. "I couldn't let myself fall into that trap," she says.

As women let go and turn duties over to others, says Mary Murphree, regional administrator of the New York Labor Department's Women's Bureau, they are creating a demand that is fueling the growth of the services economy. "Today's working parents are more dependent than ever on purchasing services," she says. This raises a new issue for employer and employees: What to do when the day care center unexpectedly goes out of business or the baby-sitter walks out? "The family of the 1980s," she says, "is undergoing a shakeout. No longer is it invisible in the workplace."

Women, who are learning how to maximize their time at the office, must do the same at home, says Linda Al-

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bert, a Tampa, Fla.-based consultant and syndicated columnist who also leads a seminar on balancing career and family for the Business Women's Forum of Clifton, N.J.

After a hard day's work, you want to "hang loose," she says, but in reality, organization and discipline give you the freedom to do the things you want. And mismanagement at home spills over into the office. Women who do not get their kids up, fed and out the door efficiently and pleasantly feel drained and exhausted 15 minutes after arriving at work, she says.

Marion Fredman, co-owner of *Such A Business*, a children's retail outlet in Oakland, Calif., says she runs her home "with the same formality and rigidity I use to run my business." She pencils in time when the entire family can be together and plans activities in advance.

But, Fredman says, motherhood also has taught her a thing or two about operating a business. At her store, she is as adept at juggling her responsibilities as she was when she had a household of four active toddlers to manage.

Claudia Marshall makes a point of setting aside time for the family equivalent of staff meetings. And she uses her professional skills in community service. Because she cannot participate in her sons' school day, she contributes in the evening "in the best way I know how," conducting management development seminars for local school principals.

Good managers listen to the concerns of staff members and offer constructive feedback. This skill works equally well with spouses and children, says Lulu Wang, married with a son and senior vice president of the Equitable Capital Management Group in New York. "Raising children is like managing subordinates," she maintains. "You have to be caring, but also make the hard decisions that earn their respect and trust."

Wang also refuses to separate business from home life, because trying to do so increases stress. At the age of 12, Wang's son could read the stock pages of the *Wall Street Journal* and join in a lively discussion about a merger at the dinner table. Why not? As a pension fund portfolio manager, his mom controls over \$1 billion in assets.

"I've always made it a point to integrate my professional and family lives," says Wang. Keeping the two lives separate produces stress and anxiety. "Your family sees your job as something which strings you out and

time mom. With a household of four toddlers to keep track of, she became a master at managing interrelated schedules.



PHOTO: GEORGE OLSON

Lulu Wang, vice president of the Equitable Capital Management Group, with account executive John Rhodes. Wang balances her life by

working to make her husband and son integral parts of her career. They share in the highs and lows and so "can't help but support me," she says.



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Women: The Second Wave

competes with them for your time." But if you let them share in your highs and lows, "they can't help but be supportive partners," she says.

Marion Fredman agrees wholeheartedly, noting that her family is "emotionally involved in every aspect of my business." This eased the strain on them when she relocated her store, de-

cided to paint it herself and "did not show up at home for months." They are flexible—not balking when dinner is pizza three nights in a row—because "they feel part of what I do," she says.

Husbands who shoulder the weight in child rearing and housecleaning help working mothers balance the demands on their time. But the kind of support

that helps a woman succeed, rather than just cope, runs a lot deeper.

Judith Campbell, the manager for accounts for administrative operations at Xerox Corporation, Rochester, N.Y., was on a business trip in California when her young son developed blood poisoning in his elbow. Her husband did not leak a word of it until she got home. Campbell was enraged. "Why didn't you tell me?" she implored. "Because," said her husband quite calmly, "you couldn't have done anything, and it would have interfered with your business." In retrospect, Campbell says he was right.

Wang says the most powerful support a husband can give is honest respect. Lots of men encourage their wives, she says, but when something goes wrong, they retreat to habit and offer such comforting words as "Don't worry, dear, I'll take care of you."

There is no principal breadwinner in Lulu Wang's family. Her husband Anthony, president of Computer Associates International in Garden City, N.Y., says her job is as important as his own. That respect, says Wang, "has given me the confidence to take on any challenge."

Yet it is not easy for men to overcome the predominant pattern of men leading and women following. When Claudia Marshall was recruited by a headhunter to join the Travelers, her husband James gave up a 13-year career at Chase Manhattan Bank, moved to Hartford and searched for months to land his current position of senior vice president at Connecticut Bank & Trust. "I had to get off my white charger," he says. "There were many ego things to deal with." But husband and wife agreed that the move would benefit the family as a whole. Though it was a personal loss for him, "it was a win for the partnership," he says.

The question is no longer whether women prefer motherhood to a career. According to the Department of Labor, 65 percent of new mothers return to the work force within a year of childbirth. Studies of female college graduates indicate that a majority of young women are training for a career they plan to pursue the rest of their lives.

While the issue of work and family will continue to reverberate beyond the home into corporations and legislatures, women are not waiting for their employers or the government to act. As this report shows, they are devising their own strategies to ensure that they have a fair shot at getting it all.

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Starting Their Own

If, as some observers fear, women are deserting the corporation, it may be because they are going into business for themselves.

After graduating with a bachelor's degree in business administration from Shaw University in Raleigh, N.C., and then getting some computer training, A. Jean Riffel went to work for Sperry Univac. She quit to get software experience in a smaller company. Passed over for promotions, she left to become vice president of a still smaller company. She was earning \$35,000 a year, but she quit that, too. She wanted to develop her own ideas.

Today, Riffel, 46, is president and CEO of Computer Systems Service Bureau, Inc., Greenbelt, Md., an automated data processing services and training company she started at home in 1980, using \$10,000 of her savings. "I walked the pavement for almost a year begging for contracts," she recalls.

The walking and begging paid off. She has built CSSB to 104 employees and annual revenues of nearly \$3 million.

Liza Foley, a 1976 Harvard MBA with a master's degree in mechanical engineering from Purdue, was responsible for purchasing \$350 million a year in finished products for the farm equipment division of International Harvester Company. But when the division was bought out by Tenneco, Inc., in late 1984, she turned down Tenneco's offer to relocate to Racine, Wis.

Prodded by encouragement and a loan from investor Joseph Driscoll, Jr., Foley, 35, bought—and revitalized—Canton Industrial Corporation in Canton, Ill. The 1.3-million-square-foot former plow factory, which once employed 2,000 people, was acquired by Driscoll after IH closed it in 1982. When Foley took over the plant in 1985, it had about 25 employees.

She hasn't made a profit yet, but Foley has won contracts to produce items ranging from warehouse racks for grocery store chains to brush guards to protect the radiators of military vehicles. With 200 employees, she is Canton's largest employer. And last year she took the company public. That move in itself "has helped us gain additional contracts," she says.

Women who leave corporations to

By revitalizing an all-but-dead manufacturing plant in Canton, Ill., Liza Foley, with 200 employees, has become the town's largest employer.



PHOTO: RICHARD SAAL

create corporations of their own aren't all that unusual. Donna Karan, 38, had been head of the fashion house of Anne Klein for 10 years when, in 1984, she left to start her own company with the Donna Karan New York label. In two years, she had 100 employees. Deborah Fain, 35, of Atlanta, was once national manager for the marketing support program at Lanier Business Products. But she left to co-found Samna Corporation, a software firm, and two years ago she started Micro Support Resource Corporation, an electronics information company with 32 employees and \$2 million in annual sales.

Of course, not all women who start businesses are corporate dropouts. Many come from teaching, nursing, homemaking and other fields, and some start businesses right out of school.

They are all among the great wave of American women who have turned to entrepreneurship in the last decade. According to the 1982 U.S. census, the latest data available, about 28 percent of all businesses in this country were owned by women, up from 7 percent in 1977.

Carol M. Crockett, director of the Office of Women's Business Ownership of the U.S. Small Business Administration, estimates that women now own one third of the country's businesses.

According to 1984 Internal Revenue Service statistics (the most recent year for which figures are available), there were 3.4 million woman-owned nonfarm sole proprietorships generating \$56 billion in receipts.

Greenbelt, Md., entrepreneur A. Jean Riffel (seated) started an automated data processing firm with \$3 million in annual revenues.



PHOTO: T. MICHAEL REZA

"Women-owned businesses are still very strong in the service and retail trade sectors," says Crockett. "However, women are moving into nontraditional areas for women in significant numbers, such as construction, manufacturing, wholesale trade and agricultural services."

A recent University of Miami (Fla.) study suggests that we are in the "second generation" of female entrepreneurship. "The first generation consisted mostly of women who—due to a variety of personal crises—were forced to initiate business ventures," says Linda Neider, who conducted the study. Such women went into business without much experience or training.

However, today's women entrepreneurs are almost indistinguishable from the average male entrepreneur, says Neider, chairman of UM's department of general business, management and organization. "They have the same training, the same skills and experience. They even have the same motives—very strong needs for achievement, independence and control."

Because of the queries her office is getting from female entrepreneurs, Crockett says that next fall, the SBA will conduct a 10-city series of conferences on business expansion for women. "Women traditionally do not have enough information on taking their companies public, on mergers and acquisitions or on the wheeling and dealing that are necessary to expand."

That underscores the next challenge for entrepreneurial women: making their businesses grow.

Women: The Second Wave

Billion-Dollar Women

The Guinness Book of World Records chronicles a number of women's athletic records. But it says nothing about women management champions. What woman, for example, was the first to manage a billion dollars?

Perhaps in this country it was Oveta Culp Hobby, Secretary of Health, Education and Welfare from 1953 to 1955. HEW's budget in 1954 was \$6.9 billion.

A decade ago, it seemed remarkable for a woman to manage a budget in the millions. Now, almost without notice, women in business and government have risen to leagues where they are in charge of billions and sometimes hundreds of billions of dollars.

Secretary of Transportation Elizabeth H. Dole oversees a budget of \$26 billion, and Greta Marshall is head of the \$39 billion California Public Employees Retirement System. But these are paltry sums compared with the \$228 billion managed by Social Security Commissioner Dorcas R. Hardy.

Among these "billion-dollar" businesswomen is Marion O. Sandler, 56, of Golden West Financial Corporation, in Oakland, Calif., the holding company for World Savings & Loan Association. A New York University MBA with seven years' experience as a security analyst on Wall Street, Sandler and her attorney husband, Herbert, acquired their company in 1963 when it had just two branches and \$34 million in assets. Operating as co-CEOs, they built it to assets of \$12.4 billion and 194 branches.

"When I was working for somebody else, I always thought, 'What kind of decision would I have made in that situation?' Or, 'How would I run the operation differently than it is being run now?'" says Marion Sandler. "I knew that I would never be happy in a situation where I didn't participate in management."

Wendy Luscombe, a British import, is president of Pan-American Properties, Inc., and Buckingham Holdings, Inc., U.S.-based subsidiaries of the National Coal Board of the United Kingdom. Her companies acquire and manage improved real estate for the NCB Pension Funds. Their portfolio is valued at \$1 billion and includes such properties as the Watergate complex in Washington and shopping centers, industrial parks and office buildings across the country.



Co-CEO of Golden West Financial Corporation, with \$12.4 billion in assets, Marion Sandler says she grew with the business. But when she was making the first branch application for the S&L, she says, "I not only did the research and wrote it, but I typed it."

After stints as a real estate appraiser for Chase Manhattan Bank in London and a researcher for a property consulting company, Luscombe, 35, was hired—and mentored—by Hugh Jenkins, then head of the Coal Board Pension Funds. She helped the NCB acquire Pan-American, a real estate investment trust originally formed by Continental Illinois, was named its president in 1981 and moved to New York City.

She says men sometimes still mistake her for an air hostess or a secretary and ask her to get newspapers or coffee. She cheerfully does it. When they realize who she is, she says, "they're



If something is too easy, it doesn't motivate her, says Wendy Luscombe, president of a company holding more than \$1 billion in real estate. "I feel a lot more satisfied if I've done something I didn't think I could do. I'm sort of in competition with myself."

just slightly embarrassed so that next time, they'll think twice about automatically categorizing anyone."

Others among the growing ranks of billion-dollar women are Karen Horn, just named chairman and CEO of Banc One Corporation's Cleveland unit, with \$1.4 billion in assets, and Katharine Graham, chairperson of the Washington Post Company, who saw her company cross the \$1 billion threshold in 1985.

"Female executives are ready for the challenge of the future," asserts David R. Peasback, president and CEO of Heidrick & Struggles, Inc., an executive search firm. These billion-dollar women certainly prove his point.

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MILES AHEAD

COVER STORY

Women: The Second Wave

Succeeding In Family Businesses

Years ago, retailer Irving J. Shulman used to come home and tell his wife, Shirley, what a shame it was that their daughter wasn't a boy. From the time she was 8 years old, Marcia was always nosing around her dad's business, and when he started Daffy Dan's, a little off-price clothing store in Elizabeth, N.J., in 1961, she worked on Saturdays and during the summer and went on buying trips with him.

"I saw that Marcia had a tremendous flair for the retail business," Shulman says. Neither of his two sons was interested in retailing. If only Marcia were a fellow, he used to think, the business could really take off.

Marcia Shulman Wilson may not be a fellow, but the business took off anyway. She and her husband, Vance, joined the firm in 1970 and, although once Shulman thought he might have to sell his company someday, his daughter did such a crack job that he changed his mind. Now called Daffy's, the company has switched from selling what Shulman calls "schlock" to off-price high-fashion merchandise. It has grown to five stores, 450 employees and annual revenues of \$35 million.

Shulman credits much of the new direction and growth to his daughter, who is his anointed successor. As vice president of operations, Wilson, 42, runs the firm with her husband, who is vice president of real estate and development, and a team of other senior managers.

Wilson and a host of women like her may signal a new wave of women running family businesses. While hard data is not available, and no one is willing to declare that women are taking over the nation's estimated 12.9 million family businesses wholesale, a trend is certainly in the making.

Since about 1975, more and more women have been joining family firms, observes John Messervey, a family business consultant in Northbrook, Ill. While he is not yet seeing many of these women becoming successors, he says they are still too young. "I see very few presidents of family businesses who are below 40 years old."

Women are coming to recognize that a family business may offer quicker advancement and better pay than working for a nonfamily corporation, accord-

Since joining Daffy's in 1970, Marcia Wilson (top photo) has helped her father, Irving Shulman, build his off-price clothing store in Elizabeth, N.J., to a \$35-million-a-year chain. Marina

Romanow of Saginaw (bottom) took over the family's custodial and building maintenance business when her father died and has nearly tripled sales in five years.



PHOTO: DARIO PERLA



PHOTO: WILLIAM DEKAY

ing to Matilde Salganicoff, founder of a seminar called "Women in Family-Held Businesses" at the Wharton School of the University of Pennsylvania.

A survey of 125 women who have attended the seminars over the last three years showed 12 percent to be presidents of their companies; 27 percent, vice presidents; and 49 percent in other management or administrative positions or serving on the board. It is a biased sample, says Salganicoff, but it does offer comparison with studies showing that, nationally, only 2 percent of working women attain top managerial positions.

However, many male founders are

still reluctant to consider daughters for management roles. Milton H. Stern, author of *Inside the Family-Held Business* (Harcourt Brace Jovanovich), believes many of these fathers view their daughters' roles in life as those of "good wives and mothers." And other family business specialists say it is very hard for a father to see a daughter as an executive instead of as his little girl.

But like Irving Shulman, other male founders welcome their daughters' interest and talents in the family firms.

Harry Romanow was one such man. He had been grooming Marina, one of his three daughters, to succeed him when he retired from Romanow Building Services, a custodial and building maintenance company in Saginaw, Mich. But he died unexpectedly of a heart attack in 1982. Marina was only 27, but she felt well-prepared.

"He had really taught me an awful lot along the way, and it wasn't such a huge business that I felt intimidated by it," she says. Since she took over, the company has grown from 140 employees to 340, with annual revenues increasing from \$1.5 million to \$4 million.

Another factor pointing to an increase in women successors is that so many women are starting their own businesses (see story, page 23). As these turn into family businesses, their founders are seen as more likely to give their daughters a chance at succession.

But having a woman at the helm doesn't guarantee a woman successor. Marcia Wilson won't be putting a daughter in charge of Daffy's. Her four children are all boys.

At the Equitable Financial Companies, CEO John B. Carter meets with the Women's Business Resource Group to ensure that its policy suggestions are carried out.

How Companies Help

American corporations, facing intense competition for talent, have a new attitude toward working women. Many previously viewed initiatives on "women's issues"—career planning, child care and management training—as concessions. No longer. Efforts to keep promising women on the payroll, say corporate leaders, are vital business strategy.

That change of heart was expressed by executives from IBM, the Travelers Corporation, Mobil Corporation and the Equitable Financial Companies at a recent event honoring the firms' efforts to advance and retain women in all walks of corporate life. Each had been singled out by Catalyst, a nonprofit New York research organization that advises companies on career and leadership development for women.

Said IBM Vice Chairman Paul Rizzo of the driving force behind his company's nationwide child care referral service: "At IBM, 40 percent of newly hired professional employees are women, and we make a major investment in them." For example, IBM spends \$90,000 on training for each new marketing employee during her first year on the job. "These professionals are the future of the business, and, unless we provide the mechanisms that allow women to participate, we may not keep them involved."

The efforts of these four companies are worth noting not only because of their pioneering thrust, but also because many of their innovations can be inexpensively replicated by small and medium-sized companies. The Women's Business Resource Group, launched by the Equitable Financial Companies, is such a program. Its mission, reports CEO John B. Carter, is to "remove obstacles that prevent women from making their fullest contributions."

Chaired by five female executives, the WBRG draws on the company's annual employee survey to identify matters of specific concern to women and prepares a report of recommendations.

Unlike routine paperwork, this report does not slowly wind its way through the bureaucracy; it goes directly to CEO Carter. In a unique collaborative arrangement, Carter and the group meet to discuss the report. Carter then signs off on the suggestions and as-



PHOTO: SUSAN KIRSCH

signs a senior manager the responsibility to execute them. At the end of each quarter, the group reconvenes with Carter to review the manager's progress. "This is what makes the program so special," says Joan Waring, a member of the group and director of corporate planning. "We circumvent the bureaucracy and see things get done in front of our eyes."

As a result of the group's recommendations, Equitable last year implemented flextime for working parents. The firm also laid down the law on sexual harassment and redesigned the system for posting job openings to ensure that women are aware of upcoming opportunities. It now is crafting a benefits package to meet the unique needs of dual-career families.

The Women's Business Resource Group is "something women did for Equitable, not what Equitable did for women," remarks Carter. With 70 women vice presidents and four serving as directors and board members, "we long ago crossed the point where we can operate without our professional women," asserts Carter.

At Mobil Corporation, Vice Chairman James Riordan says the firm's approach "has shifted to quality from quantity." Though many highly trained women and minorities work for Mobil, they were not moving into positions in the \$100,000-\$170,000 salary range as expected.

So, late in 1986, Mobil set up a special committee of executives to pinpoint high-potential female and minority candidates and place them in those critical

line positions that had led to advancement for their white male counterparts. The goal "is to be sure that they are not restricted to promotions as specialists in their disciplines," says Riordan. For Kay Ellen Consolver, recently appointed international treasurer of the marketing and refining division, Mobil's initiative paved the way to a new career. The company "made it possible for me to move from a legal position into a financial position in the mainstream of the oil business," she says.

The Connecticut Consortium for Child Care, spearheaded by the Travelers Corporation, is a partnership of 11 corporations and representatives from state agencies and voluntary organizations. It is tackling one of the most salient problems for working women: quality child care. Administered by United Way of Connecticut, it provides members with a computerized database on the locations, fees and hours of operations of all child care facilities in the Hartford area. Last year, it handled more than 20,500 requests.

Under an agreement with a local educational service center, the consortium also conducts seminars for the employees of corporate members and trains consortium counselors to guide parents in the selection of a care provider. Once or twice a year, it sponsors training classes for private citizens interested in opening their homes to child care.

Smaller companies are taking their cues from larger organizations, reports Nancy Fasciano, a senior editor at *Working Mother* magazine in New York. Flexible work hours and mixed packages of paid and unpaid maternity leave are increasingly common, she says.

Gaining popularity are flexible benefit programs that give workers the option, for instance, to direct company payments to child care services instead of health insurance. Also on the rise are employer-administered pretax spending accounts. Permitted under section 129 of the tax code, these let an employee deposit up to \$5,000 of annual salary in a nontaxable account to cover child care expenses.

With large companies setting the pace, says Richard E. Heckert, CEO of E.I. du Pont de Nemours & Company and chairman of Catalyst's board of directors, the challenge is to make sure that smaller firms keep the momentum going. ■

To order reprints of these articles, see page 89.

What Labor's Agenda Could Cost You

By Roger Thompson

Speaking at an April 2 press conference, U.S. Chamber President Richard Leshner said labor leaders "think they are back on top" on a

number of key issues before the 100th Congress. "The labor agenda is far more aggressive than any we've seen before," he warned.



PHOTO: T. MICHAEL KEZA

For six years, a Republican president and a Republican-controlled Senate formed a strong roadblock to passage of organized labor's legislative agenda in Congress.

Union-sponsored bills that passed the Democratic-controlled House often failed to get even a committee hearing in the Senate. No one fought harder against the unions' efforts than Sen. Orrin Hatch (R-Utah), the staunch conservative who was chairman of the Senate Labor and Human Resources Committee from the outset of the Reagan presidency in 1981 through last year. That panel controls the flow of major legislation on labor issues and many social programs.

But the Republicans lost control of the Senate in last November's off-year elections, and Hatch was replaced as chairman of the labor panel by a Democrat with a record of 93 percent support of organized labor on its issues—Sen. Edward M. Kennedy of Massachusetts. By contrast, Kennedy has a rating of 16 percent from the U.S. Chamber of Commerce on support of business positions.

Falling membership and a long series

of losses in congressional battles have marked the decline of the onetime powerhouse of organized labor, the AFL-CIO. To stem that decline, the labor federation wants to gain legislative victories that will either make it easier for its recruiters to sign up members directly or demonstrate a "can-do" capability that will enhance its image with workers.

"The labor agenda is far more aggressive than any we've seen before," says Richard Leshner, president of the U.S. Chamber of Commerce. "They make no bones about it. They think they are back on top and they are going to win."

Frederick J. Krebs, director of the Employee Relations Policy Center of the U.S. Chamber, says of the labor agenda: "Many of these issues intrude on a company's relationship with its employees, restrict the flexibility necessary to develop compensation and benefits packages responsive to employee needs and desires, limit the ability to compete in a competitive economy, increase the cost of doing business and infringe on the right to manage."

Orrin Hatch, now senior Republican on the Labor Committee, warns that the cost of doing business will go up sharply unless the business community mounts an effective counterattack. (See editorial, page 95.)

Organized labor's agenda encompasses mandated employee benefits (see box, page 34), a higher minimum wage, advance notice of plant closings, notification of occupational health risks, a ban on the use of union and nonunion shops by construction companies, comparable worth, and a ban on polygraph (lie detector) tests by employers, among other issues.

The labor agenda's cost to business could be catastrophic in two respects, business forces say. One is the potential for a massive increase in the government's presence in day-to-day business operations through such proposals as comparable worth. Under that approach, employers would have to pay workers on the basis of a comparable worth formula drawn up under federal standards for determining which types of jobs require similar skills and equal compensation.

Then there would be the absolute cost in dollars. Labor-backed proposals to raise the minimum wage and require employers to provide health insurance and parental leave would add \$27 billion a year to the cost of doing business, the U.S. Chamber estimates.

The current drive by organized labor and its congressional allies involves a strategy switch that is particularly significant to business. All but the most foolhardy members of Congress realize that the traditional tax-and-spend approach to paying for new social programs won't fly in an era of record budget deficits, a \$2.2 trillion federal debt and a public mood that will no longer tolerate the undisciplined fiscal attitudes that brought them about.

The Democrats claim their new approach won't cost the voters anything.

"Since they can't raise taxes to pay for new programs, they're simply going to saddle business with the costs," says Hatch.

Small businesses owners, the source of most new jobs created by the U.S. economy this decade, would be hardest

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What Labor's Agenda Could Cost You



PHOTO: T. MICHAEL REZA

Dallas businessman Rick Berman says that indexing the minimum wage would produce an "enormous engine for wage inflation."

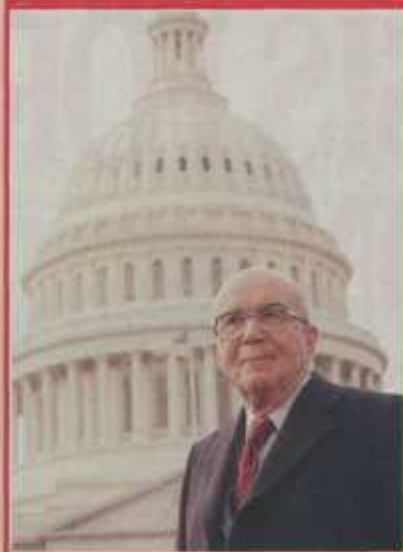


PHOTO: JIMMY BLISS—SAMMA LIAISON

Rep. Augustus Hawkins (D-Calif.) advocates a higher minimum wage to help 8 million working poor "break the vicious cycle of poverty."

hit by these measures. Accordingly, delegates to the 1986 White House Conference on Small Business made opposition to mandated benefits their No. 2 priority, just behind their plea for relief from the liability insurance crisis.

For the American people, the price of a labor victory may not be higher taxes, but it certainly would be higher prices. Companies saddled with higher operating costs to meet social goals will inevitably have to increase prices to recover those outlays.

Nevertheless, labor leaders are encouraged in their legislative drive by polls that show increasing public support for more federal spending on social programs at the expense of the military.

Even so, U.S. Chamber President Leshner takes heart from the fact that many of the labor initiatives now before Congress were embraced in 1984 by Democratic presidential candidate Walter Mondale, who was overwhelmingly rejected by voters in favor of a continuation of the policies of President Reagan.

But, with the Democratic majorities

in both houses of Congress and the strong labor/liberal orientation of the committees handling labor legislation, some business leaders expect that parts of the labor agenda will be passed.

In that case, predicts Leshner, "There will be fairly extensive use of the presidential veto." Although Congress has overridden two Reagan vetoes on major bills this year, White House aides say those particular measures—clean water and highway construction—had a broad political appeal that the pending labor-backed measures lack and should not be considered trend-setters for the President's ability to win sufficient support to sustain his vetoes.

Here is a report on some of the most far-reaching of the key provisions of the labor agenda for the 100th Congress:

Minimum wage. The first major test of a presidential veto may come on minimum wage legislation. "I believe it is the first one that will come out of the chutes," says Hatch, who says he is prepared to lead a filibuster to kill the proposal.

Kennedy in the Senate and Rep. Augustus F. Hawkins (D-Calif.) in the House introduced companion bills March 25 that would gradually raise the minimum wage, now \$3.35 an hour, to \$4.65 an hour by 1990. Thereafter, the wage would be indexed to equal half of the average hourly earnings of private, nonsupervisory workers, as determined by the Bureau of Labor Statistics.

Said Hawkins: "For some 8 million of America's working poor, a higher minimum wage will help break the vicious cycle of poverty they have been living in for the past six years. Since 1981, the cost of living has risen about 27 percent, but the minimum wage has been frozen."

But the last minimum wage increase cost 644,000 jobs through a combination of positions lost and new positions that were never created, according to a Chamber study.

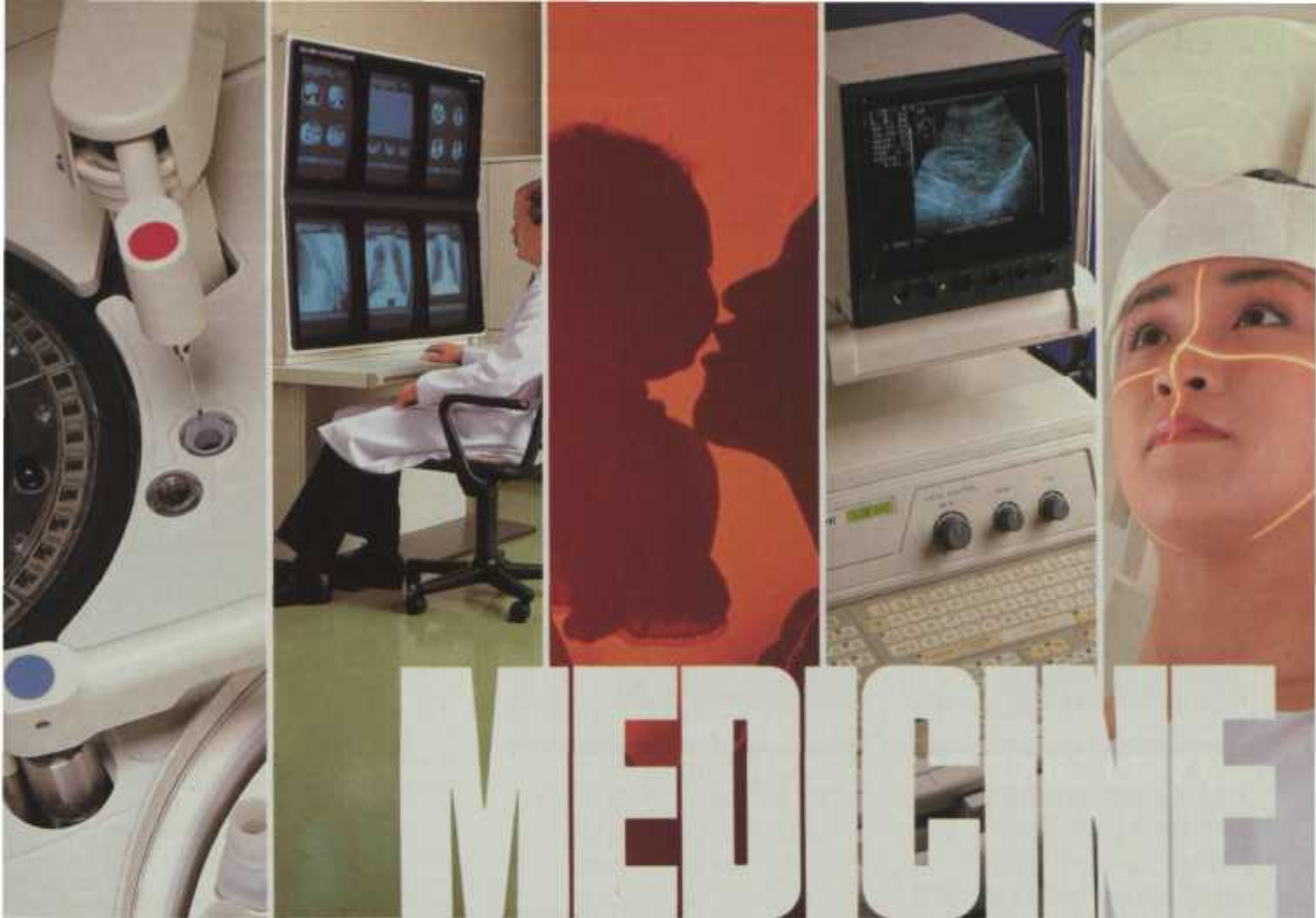
Richard Berman, a Dallas businessman who heads the Chamber's Minimum Wage Coalition to Save Jobs, says his own company, S&A Restaurants Corporation, eliminated about 6,000 jobs when restaurants came fully under the minimum wage law in the mid-1970s. This was typical of the impact the law had on the entire restaurant industry, he says.

Berman views the indexing provisions of the bill as a serious threat: "This [indexing] is an enormous engine for wage inflation." As the minimum wage moves up, midlevel hourly wages that tend to stay a few dollars ahead of the minimum would ratchet upward accordingly, Berman points out.

Mandated health benefits. Kennedy wasted no time staking out his position on health care. Addressing the American Hospital Association in February, he said: "The time has come to require all businesses in America to offer health insurance to all their workers—and all their dependents, too—as a condition of doing business."

The only federally mandated employee benefits are Social Security, unemployment compensation and workers' compensation. Under Kennedy's proposal, all companies would have to offer health insurance coverage. Employers would pay 80 percent of the premiums. And all workers would have to accept the coverage.

Kennedy aims to address the health care needs of about 37 million workers and their dependents who do not have private health insurance. He estimates



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What Labor's Agenda Could Cost You



PHOTO: T. MICHAEL KEZA

Sen. Orrin Hatch (R-Utah) says the Democrats cannot raise taxes, so they want to "saddle business" with mandated benefits.



PHOTO: BRAD WARKEL

Sen. Edward Kennedy (D-Mass.) believes "the time has come to require all businesses in America to offer health insurance."

that about three quarters of those without coverage work for businesses with fewer than 25 employees. While there is some dispute over the accuracy of this figure, the message for small business is clear. If the government can't afford a national health insurance plan to cover workers, it will simply require employers to pick up the bill.

Labor Secretary William E. Brock rejects this approach. "If the government wants them [mandated benefits], let the government pay for them," he told a National Press Club audience in March. "And if the government can't afford to pay for them, either you don't do them, or you go to the American people with a tax increase and let them vote."

There is no question that mandating health insurance coverage would lead to a reduction in jobs. Says Katharine Swartz, a senior research associate at the Urban Institute, a Washington think tank: "Among the employed adults without employer group health insurance in 1986, 12.3 million earned less than \$150 a week, and another 8.1 million earned between \$150 and \$400 a week. Thus, for employers of the vast

majority of these workers, the \$1,000 a year in premiums would add between 4 percent and 13 percent to the cost of each worker—enough to cause a significant loss in jobs."

In fact, small business traditionally has paid up to 40 percent more for health care premiums than large employers. To lower costs for small business, Kennedy has said he may propose that all employers with fewer than 25 workers be required to join a risk pool that would purchase insurance as a group.

Parental leave. The Family and Medical Leave Act of 1993 would provide a job guarantee and grant four months of unpaid leave to men or women in connection with the birth or adoption of a child or for tending to a seriously ill child or parent. Sick or disabled employees could get six months off. Coverage would affect employers of 15 or more and extend to permanent, part-time employees. Employers would be required to pay health benefits in the employee's absence.

Rep. Patricia Schroeder (D-Colo.), co-

chair of the Congressional Caucus for Women's Issues and a prime sponsor of the bill, says the legislation is on a "fast track." She says: "Over 100 countries, including all industrialized countries, guarantee workers job-protected, partially paid maternity related benefits. The United States offers nothing."

The results abroad aren't always beneficial, says Virginia B. Lamp, a labor relations attorney for the U.S. Chamber of Commerce and a key strategist for the business opposition to parental leave legislation. "Interestingly enough, those European countries with the most generous maternity leaves are the same nations with the highest rates of unemployment for women of child-bearing age."

Lamp also notes that parental leave is primarily a small business issue. "For large businesses, this legislation is redundant since studies indicate that 95 percent of the larger companies already provide parental and disability leave. However, the dynamic, growing sector of our economy is dominated by small businesses struggling to survive. These small businesses will be the prime targets of [the proposed legislation]."

Plant closings. Another long-sought labor goal is legislation that would require advance notice of plant closings or major layoffs. Howard M. Metzenbaum (D-Ohio) is leading the charge in the Senate.

Says Metzenbaum: "Dislocated workers should have several months' notice of a plant closing so that they have time to seek retraining or job search assistance. But blue collar workers receive on average a mere seven days' notice. And that is a disgrace."

Between 1981 and 1986, approximately 10.8 million workers lost or left their jobs because their plants were shut down or their jobs abolished, according to the Bureau of Labor Statistics. Bills moving through both houses of Congress would require employers to give a minimum of 90 days' and a maximum of 180 days' notice of a closing or major layoff, depending on the number of workers affected.

Secretary Brock argues that mandatory advanced notice would deny employers the flexibility they need to respond quickly to rapidly shifting business conditions. Allan R. Thieme, a Michigan businessman whose company, Amigo Sales Inc., makes motorized vehicles for the handicapped, says the legislation would have forced him to go

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What Labor's Agenda Could Cost You



PHOTO: DENNIS BRACK—BLACK STAR

Michigan businessman Allan Thieme says he "would be out of business today" if a proposed plant closing law had been in effect last year.



PHOTO: BRAD MARTEL

Sen. Howard Metzenbaum (D-Ohio) says it is a "disgrace" that most workers get only seven days' notice before a plant closes.

out of business had it been in effect last year. Because of a decline in sales, he closed the company's New Mexico plant, eliminating 52 jobs.

Testifying before the Senate labor committee on March 10, Thieme said, "The lengthy and complex notice and consultation provisions of [the proposed bill] ... would have paralyzed our ability to revive Amigo Company."

While the Democrats have put the minimum wage, mandated benefits, plant closing and other labor issues on the table for serious discussion, this doesn't mean that organized labor is in charge on Capitol Hill. Business groups have swung into action and will be increasingly vocal in the months to come.

Nonetheless, Hatch worries that the business community has yet to realize the full extent of labor's resurgence. He warns:

"Unless business gets involved in supporting moderate to conservative Democrats and Republicans—people who are going to stand up for the free enterprise system—business is going to find itself in worse shape over the next 10 years than it was even at the end of the '60s and first part of the '70s." ■

To order reprints of this and the following article, see page 89.

What Labor Wants

These are the most significant labor and employee-benefit issues facing Congress:

Comparable Worth: Adoption of this concept could eventually lead to a private-sector pay system based on the view that different types of jobs require comparable levels of skills and responsibility, and employers must compensate employees accordingly. Comparable worth formulas would be set under government rules.

Construction Labor/Anti-Double Breasting: Labor organizers would gain a significant advantage, under this legislation, in unionizing the construction industry. All workers in a company with several affiliates would be subject to union representation if workers in

one part of that company chose a union. The bill would prohibit the current policy of "double-breasting," in which construction companies with several affiliates can have both union and nonunion shops.

Davis-Bacon Act Reform/Repeal: Labor's legislative agenda calls for unrelenting opposition to all efforts to repeal or even modify the Depression-era statute that effectively requires payment of union wages on federal and federally assisted construction. The Congressional Budget Office says taxpayers could save more than \$1 billion a year with repeal.

Displaced Workers (Adjustment Assistance): The dispute in this area is over the most effective way to equip

workers who lose their jobs through technology or import competition to find new ones. Business favors use of the existing Job Training Partnership Act for retraining and job-search assistance, but the union approach is specialized and more costly. Proposed measures include extended unemployment compensation and continuation of the Trade Adjustment Assistance Act, although experience has shown that 75 percent of applicants for help under that act return to work before receiving that assistance.

Grove City Repeal: Legislation on this issue stems from a 1984 Supreme Court decision in a sex-discrimination case involving Grove City (Pa.) College. The Court said federal funds could be denied only to a program in which the discrimination was involved and not withheld from all federal programs at the same school. In moving to overturn that decision, congressional liberals introduced a bill that would impose mas-

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Bad News For Escort

Dear Customer,

From Drew Kaplan

Escort has ignored DAK's second, one-on-one Maxon versus Escort radar challenge. And frankly, I'm fighting mad. I suppose they have a right to ignore me. But after referring to my challenge as only an "advertising gambit" and calling Maxon's radar detector an off-shore, primitive, and bottom-end unit, I'd think they'd be glad to wipe us out in a head to head duel to the death. But, I'm really mad for two other reasons and I think that you may be as fascinated by them as I am.

Mad Reason 1. Road and Track Magazine held an independent general radar detector test in their September 86 issue.

As far as I can see, Maxon beat Passport in Uninterrupted Alert, and Passport beat Maxon in Initial alert. Now to be fair, neither of us seem to have beaten the other by even 2 seconds at 55 miles per hour. So, we didn't win or lose by much.

And, Maxon's \$99⁹⁰ detector was tested against the \$295 Passport, not the \$245 Escort we challenged. What's interesting is that Road and Track had nice things to say about Passport and even about Escort, which wasn't even included in the tests any more.

Now, if you've been following DAK's challenge, you know we've only been challenging Escort. If you've read Road and Track's tests, you'll be amazed when you read Boardroom Reports, which I've reprinted for you to the right. What's really interesting is that it's the exact same person in both publications.

Actually, Maxon did extremely well. Road and Track only used 'over hill' and 'around curve' tests because on straight-aways the differences weren't worth describing. (Imagine that!)

It's just as I've said in my challenge. I don't think there's much difference between Maxon's and Cincinnati's Radar detectors when it comes to sensing radar.

THE CHALLENGE GROWS

In view of the opinions stated in the article in Boardroom Reports about the \$245 Escort, DAK hereby adds the \$295 Passport to our challenge.

Mad Reason 2. Did you ever hear about the cure for dandruff that was developed in the middle-ages? It was the guillotine. And frankly, I think you should be aware of Cincinnati Micro-

wave's advertising cure for the Rashid VRSS Collision Avoidance System.

The Rashid VRSS system, as described in Popular Science magazine, January 1986, sends out a radar signal on the K band ahead of your car. The good part is that it can help you avoid running into things higher than your front bumper. The bad news is that since it operates on K band, it sets off radar detectors.

Well, hats off to Cincinnati Microwave. I've tested the Passport against the Rashid unit and, as usual, they have done a splendid job. While every other detector I tested, including Maxon's, was driven crazy, theirs didn't utter a peep.

But then, my Maxon hasn't uttered any peeps lately either and let me tell you why. I was on my way to the Far East to visit Maxon, so I asked Tom, a manager at DAK, to purchase and test the Rashid.

Well, did I ever hear from him. First the unit cost \$558 plus about \$100 to install. Then buying it and finding someone to install it took almost a month.

But the real reason he was unhappy was that the recommended method of installation involved cutting a 6 1/2" hole in the front grill of his neat new car.

Well, much to my wife's chagrin, it's now installed in her station wagon.

After installation, it has to be set by an installer. He drives between 15 and 30 miles per hour toward a solid object. When the installer thinks he's reached a safe stopping distance, he adjusts the warning alarms to sound. Then in the future, when a similar distance is reached, lights will flash and an alarm will sound.

Of course, if you accelerate too quickly into a lane behind another car the same alarms can go off.

And, I haven't figured out what to do if

there's a dog in the road, dirt on the radar sensor, or how to compensate for the different stopping distances encountered on dry, wet, icy or snowy roads.

MOST IMPORTANT PART

Speaking of advertising gambits, in virtually every magazine I pick up, I've been seeing Cincinnati's Bad News for Radar Detector ads spelling out the obsolescence of all other detectors.

If it's such an important feature that distinguishes them from us, there had better be some of these devices on the road, or Cincinnati Microwave's credibility may just be on the road as well.

I will add \$10,000 to my Escort/Passport challenge if Cincinnati Microwave can prove that there are even 1000 Rashid units on the road anywhere in the U.S. Oh heck, I'll add \$5000 if they can even find 500. (And, look at this.)

NOTE: There are several other potential collision avoidance systems on the drawing boards and each may have a DIFFERENT FINGERPRINT.

So, if you're a current Escort or Passport owner, I suggest that you find out how many Rashid units there are and what Cincinnati Microwave will do about the 'other' units before you pay \$\$\$ to have your current detector upgraded.

Besides, with over 3,000,000 square miles in the U.S., even 1,000 units would work out to less than one unit for every 3,000 square miles.

If a major car company successfully sells a collision avoidance system, then Maxon will be ready. But, the car companies currently can't even get consumers to pay \$200 for air bags. So, you decide. Is it significant, or an advertising gambit?

Below is the NEW version of the challenge. Escort, a reply please!

A \$20,000 Challenge To Escort

Let's cut through the Radar Detector Glut. We challenge Escort & Passport to a one on one Distance and Falsing 'duel to the death' on the highway of their choice. If they win, the \$20,000 check pictured below is theirs.

By Drew Kaplan

We've put up our \$20,000. We challenge Escort to take on Maxon's new Dual Superheterodyne RD-1 \$99⁹⁰ radar detector on the road of their choice in a one on one conflict.

Even Escort says that everyone compares themselves to Escort, and they're right. They were the first in 1978 to use superheterodyne circuits and they've got a virtual stranglehold on the magazine test reports.

But, the real question today is: 1) How many feet of sensing difference, if any, is there between this top of the line Maxon Detector and Escort's or Passport's? And 2) Which unit is more accurate at interpreting real radar versus false signals?

So Escort, you pick the road (continental U.S. please). You pick the equipment to create the false signals. (Don't forget our \$10,000 Rashid challenge). And finally, you pick the radar gun.

Maxon and DAK will come to your

...Next Page Please



...Challenge Continued highway with engineers and equipment to verify the results.

And oh yes, we'll have the \$20,000 check (pictured) to hand over if you beat us by more than 10 feet in either X or K band detection with the Escort, or by 2 seconds at 55mph with the Passport.

BOB SAYS MAXON IS BETTER

Here's how it started. Maxon is a mammoth electronics prime manufacturer. They actually make all types of sophisticated electronic products for some of the biggest U.S. Electronics Companies. (No, they don't make Escort's).

Bob Thetford, the president of Maxon Systems Inc., and a friend of mine, was explaining their new RD-1 anti-falsing Dual Superheterodyne Radar detector to me. I said "You know Bob, I think Escort really has the market locked up." He said, "Our new design can beat theirs".

So, since I've never been one to be in second place, I said, "Would you bet \$20,000 that you can beat Escort?" And, as they say, the rest is history.

By the way, Bob is about 6'9" tall, so if we can't beat Escort, we can sure scare the you know what out of them. But, Bob and his engineers are deadly serious about this 'duel'. And you can bet that our \$20,000 is serious.

We ask only the following. 1) The public be invited to watch. 2) Maxon's Engineers as well as Escort's check the radar gun and monitor the test and the results.

3) The same car be used in both tests. 4) We'd like an answer from Escort no later than July 31, 1987 and 60 days notice of the time and place of the conflict. 5) If Escort can prove that there are 1,000, or even 500 Rashid units in operation, we will present them with the appropriate \$10,000 or \$5,000 check at the beginning of the conflict. And, 6) We'd like them to come with a \$20,000 check made out to DAK if we win.

HOW'S THIS FOR FAIR

Cincinnati Microwave will be deemed the winner and given the check if either

Escort beats Maxon by 10 feet in both uninterrupted and initial alerts, OR if Passport beats Maxon by 2 seconds at 55mph in both uninterrupted and initial alerts. So, DAK wins only if we beat both Escort and Passport.

A tie will exist only if both the \$295 Passport and \$245 Escort fail to beat Maxon's \$99⁹⁰ Dual Superheterodyne RD-1 Radar Detector.

SO, WHAT'S DUAL SUPERHETERODYNE?

Ok, so far we've set up the conflict. Now let me tell you about the new dual superheterodyne technology that lets Maxon leap ahead of the pack.

It's a technology that tests each suspected radar signal 4 separate times before it notifies you, and yet it explodes into action in just 1/4 of one second.

Just imagine the sophistication of a device that can test a signal 4 times in less than 1/4 of one second. Maxon's technology is mind boggling.

But, using it isn't. This long range detector has all the bells and whistles. It has separate audible sounds for X and K radar signals because you've only got about 1/3 the time to react with K band.

There's a 10 step LED Bar Graph Meter to accurately show the radar signal's strength. And, you won't have to look at a needle in a meter. You can see the Bar Graph Meter with your peripheral vision and keep your eyes on the road and put your foot on the brake.



So, just turn on the Power/Volume knob, clip it to your visor or put it on your dash. Then plug in its cigarette lighter cord and you're protected.

And you'll have a very high level of protection. Maxon's Dual Conversion Scanning Superheterodyne circuitry combined with its ridge guide wideband horn internal antenna, really ferrets out radar signals.

By the way, Escort, we'll be happy to have our test around a bend in the road or over a hill. Maxon's detector really picks up 'ambush type' radar signals.

And the key word is 'radar', not trash signals. The 4 test check system that operates in 1/4 second gives you extremely high protection from signals from other detectors, intrusion systems and garage door openers.

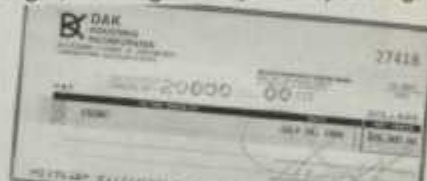
So, when the lights and X or K band sounds explode into action, take care, there's very likely police radar nearby. You'll have full volume control, and a City/Highway button reduces the less important X band reception in the city.

Maxon's long range detector comes complete with a visor clip, hook and loop dash board mounting, and the power cord cigarette adaptor.

It's much smaller than Escort at just 3 1/2" Wide, 4 3/4" deep and 1 1/2" high. But, it is larger than Passport. It's backed by Maxon's standard limited warranty.

Note from Drew: 1) Use of radar detectors is illegal in some states.

2) Speeding is dangerous. Use this detector to help keep you safe when you forget, not to get away with speeding.



CHECK OUT RADAR YOURSELF RISK FREE

Put this detector on your visor. When it sounds, look around for the police. There's a good chance you'll be saving money in fines and higher insurance rates. And, if you slow down, you may even save lives.

If you aren't 100% satisfied, simply return it in its original box within 30 days for a courteous refund.

To get your Maxon, Dual Superheterodyne, Anti-Falsing Radar Detector risk free with your credit card, call toll free or send your check for just \$99⁹⁰ (\$4 P&H). Order No. 4407. CA res add tax.

Special Note: Now that we're challenging Passport, we've added an optional suction cup windshield mount and extra coiled power cord. (Sorry we can't afford to throw them in for free.) They're just \$5⁹⁰ (\$1 P&H) Or. No. 4800.

OK Escort, it's up to you. We've got \$20,000 that says you can't beat Maxon on the road. Your answer, please?

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Differential alarm. Maxon's Dual Superheterodyne Radar Detector has a differential alarm that only sounds when it detects a radar signal that is different from the one it was last detecting. This means you won't be bothered by false alarms when you're in a radar trap.

Power/Volume knob. Maxon's Dual Superheterodyne Radar Detector has a power/volume knob that lets you adjust the volume of the alarm. This means you can use the detector in a quiet car or a noisy car.

LED Bar Graph Meter. Maxon's Dual Superheterodyne Radar Detector has a 10-step LED Bar Graph Meter that shows the strength of the radar signal. This means you can see the strength of the signal without having to look at a needle in a meter.

Visor clip. Maxon's Dual Superheterodyne Radar Detector has a visor clip that lets you attach the detector to your visor. This means you can keep your eyes on the road and not have to touch the detector.

Cigarette lighter power cord. Maxon's Dual Superheterodyne Radar Detector has a cigarette lighter power cord that lets you plug the detector into your car's cigarette lighter. This means you can use the detector in any car that has a cigarette lighter.

Warranty. Maxon's Dual Superheterodyne Radar Detector comes with a 1-year warranty. This means you can be sure you're getting a quality product.

Price. Maxon's Dual Superheterodyne Radar Detector is priced at just \$99⁹⁰ (\$4 P&H). This means you can get a quality radar detector for a very low price.

Order No. 4407. Maxon's Dual Superheterodyne Radar Detector is available for order at Order No. 4407. This means you can get it today.







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THE NATION'S BUSINESS

What Labor Wants

sive new regulatory burdens on many businesses in the name of civil rights.

Labor Protective Provisions: Labor is backing a proposal that would restrict the ability of airlines to implement layoffs after a merger, acquisition or sale of assets. Business views this as an unwarranted intrusion into private sector labor-management affairs and as a possible precedent for other areas of the economy. While labor argues that the airline employment situation is so volatile that legislation is needed, business says job-security issues should be part of the normal collective bargaining process.

Mandated Benefits (Health Care): This legislation would require all employers to provide a minimum health insurance package, including hospital, physician and prenatal care, covering all employees and their dependents. Business says any such mandate would burden smaller businesses especially, causing many to reduce or terminate other worker benefits.

Mandated Benefits (Parental Leave): A pending proposal would require employers with more than 15 employees to provide 18 weeks of unpaid leave in connection with the birth, adoption or illness of a child; 18 weeks' unpaid leave to care for dependent parents and 26 weeks' unpaid leave for personal disability. A commission would also be established to study ways to require that such leave should eventually be paid. Business sees this proposal as part of a growing trend in government to dictate employee benefits at the same time that workers themselves are seeking more flexibility so they can tailor benefits to their individual needs.

Minimum Wage: Labor wants to raise the federal minimum wage rate to \$4.50 or \$4.75 per hour with a one- to three-year implementation, then provide for automatic future increases. Business says an increase would discourage employers from hiring entry-level, unskilled individuals who would benefit from job training.

Occupational Hazard Notification: This bill would establish a new federal program to identify occupational hazards in the workplace and notify, treat, monitor and counsel current and former employees who were exposed to such hazards. Business points out that the

Occupational Safety and Health Administration has already issued a Hazard Communication Standard, effective last May.

Plant Closing Controls: This bill would require a company to give 90 days' public notice of plans to close or relocate a plant or to lay off more than 50 employees and to make public disclosure of confidential business data to support those decisions. A company would be subject to federal and union investigation of such plans. Business sees the proposal as an intrusion by unions and the government into the rights of employers to make basic decisions affecting the survival of their companies.

Polygraph Testing: A pending bill would ban the use of polygraphs in the private sector. Business sees the polygraph as an important and legitimate tool for such purposes as pre-employment screening.

Private Pensions: The current rights of sponsors of overfunded single-employer pension plans are being challenged. Companies may now terminate pension plans and, once all promised benefits are paid, recover excess assets. Opponents are seeking legislation to prohibit such reversions and to require that excess funds finance benefits increases. Business points out that, although money in an ongoing plan belongs to the beneficiaries, employers bear the burden for keeping underfunded plans solvent and therefore should enjoy the benefits of overfunded plans.

Retiree Health Benefits: Cutbacks in health care plans for retirees of companies currently suffering financial difficulties have resulted in legislation that would compel employers to continue those benefits. Business supports tax deductions for better advance funding of health benefits for retirees but opposes further mandates on employee benefits.

Service Contract Act Reform/Repeal: Labor is opposing efforts to modify or repeal the Service Contract Act, which is to the service industry what the Davis-Bacon Act is to the construction industry. The law sets wage levels on projects involving federal funds. The President's Private Sector Survey on Cost Control estimates savings from repeal as large as \$1.5 billion a year.

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Success, Over Easy

By John Grossman

Raise your fork at a Le Peep restaurant, and you won't merely "break the fast," you'll shatter it. So what if Americans all seem to be dieting and fearing clogged arteries? Le Peep flaunts its "gooey buns" and "hawg-wild" sausage links.

Its 23 breakfast restaurants in eight states offer menu items such as "Awesome Omelettes"—and they're not kidding. Portions are huge, and the list of stuffings and toppings for omelets runs long, as it does for "Panhandled" eggs, frittatas and pancakes.

The first Le Peep was opened in 1981 in Denver by Donald "Buddy" Waldman, 56. A confessed ski bum, Waldman had owned another restaurant in Aspen, Colo., that served breakfast only. It closed at 2 p.m. so Waldman could hit the slopes. Those "skier's hours" have carried over; Le Peep eateries open at 6:30 a.m. and take no orders after 2 p.m.

But can mountainous portions and short business hours really be a successful recipe for a competitive food franchise? Combine relatively inexpensive breakfast fixings (eggs being far cheaper than hamburger) at an average menu price of \$5.50 per order with a serving time of about seven minutes, and you get an enviable return on your investment. The average Le Peep—3,300 square feet and 120 tables—costs about \$300,000 to open and grosses \$700,000 in its first year.

Says Allen Bernstein, chairman of the board and chief executive officer: "We don't sell any food items or equipment. After the initial franchise fee, we make our money strictly on the [5 percent] royalty on sales."

The hours are popular with Le Peep employees because they work a single shift and can be home by mid-afternoon. Half the Le Peep managers are women; working mothers finish in time to meet the school bus.

"It gives you a chance to have a life," says Ray Furze, district manager at the Le Peep in Great Neck, N.Y. Previous restaurant work, says Furze, made him a stranger to his family.

At a time when even McDonald's is turning to brass rails and etched glass,

John Grossmann is a Landsdale, Pa., free-lance writer.

Allen Bernstein (left) and Buddy Waldman scramble up a winning combination at their Le Peep restaurant in Denver. Menus at all 23 Le Peeps in eight states offer generous

Is your diet deficient in cholesterol? A Denver-based breakfast chain can help you out.

portions of such breakfast delights as (clockwise from upper left) Strawberry Patch Cakes, an Omni Omelette and a Hobo Banquet.



PHOTOS: JAMES COOK-PICTURE GROUP



Le Peep collects up to \$7.25 per entrée with nothing fancier than plastic tablecloths, latticework dividers and a few hanging plants for decor. "You can't eat the walls," says founder and President Waldman, insisting each Le Peep put its money where *your* mouth is—into high quality ingredients such as eggs from young hens (24-45 weeks old) and Madagascar vanilla. Franchisees

must have their local suppliers approved by headquarters in Denver.

"I don't think this will be a flash in the pan," says Dan Carney, who holds the franchise rights in West Palm Beach, Fla. "I'm impressed with Le Peep's signature items, its high quality, full-plate concept." Carney knows a bit about the food business; he co-founded Pizza Hut. However, he wonders if Le Peep will have to add a fruit plate or other items geared to weight watchers and health-conscious patrons.

Another concern is imitation. "I think they are a well-run, niche company," says Ron Paul, a Chicago restaurant consultant. But "the concept is not well insulated from competition."

Plans call for some 350 Le Peeps (25 percent company-owned, 75 percent franchised) by the early 1990s and an "Egg University" in Denver for training employees.

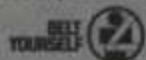
"We're bullish on breakfast," says Bernstein. He's quick to cite Gallup survey data: "Between 1978 and 1984, restaurant lunches and dinners grew 5.8 percent. Breakfast growth was 66.6 percent." ■



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The Economy According To Small Business

By Herbert S. Braun, C.P.A.

Small business chief executives' confidence in the economy has declined since the first *Nation's Business*-Ernst & Whinney survey six months ago. And despite a slight easing of the liability insurance crisis, three out of four CEOs interviewed remain "extremely concerned" about the cost and availability of insurance.

The survey also shows that small business executives plan little change in capital spending and borrowing activities, and that they anticipate an upward—but not worrisome—drift in inflation and interest rates.

These results are based on telephone interviews with 500 chief executives of companies with annual sales up to \$40 million. The survey, which is conducted twice a year, asked small business CEOs for their opinions about the economy, the performance of their businesses, issues facing their businesses and their jobs.

Ernst & Whinney, a leading international public accounting, tax advisory and management consulting firm, commissioned the survey, which was conducted by Angell & Company, Inc., a marketing research firm. Here are the findings:

The Economy

While nearly two thirds of the 500 executives surveyed are at least somewhat optimistic about the overall U.S. economy for the next year, they are not as optimistic as the 500 CEOs surveyed six months earlier (see chart 1). Over three fourths of the earlier group expressed optimism about the economy.

"After five years of economic growth, I'm a little concerned about what might happen next. But I'm cautiously optimistic," said Leonard Feldman, CEO of two Brooklyn companies, Modern Coupon Systems, Inc., a health care mail order company, and Professional Product Research, manufacturers of foot-care products and products for the mail-order industry.

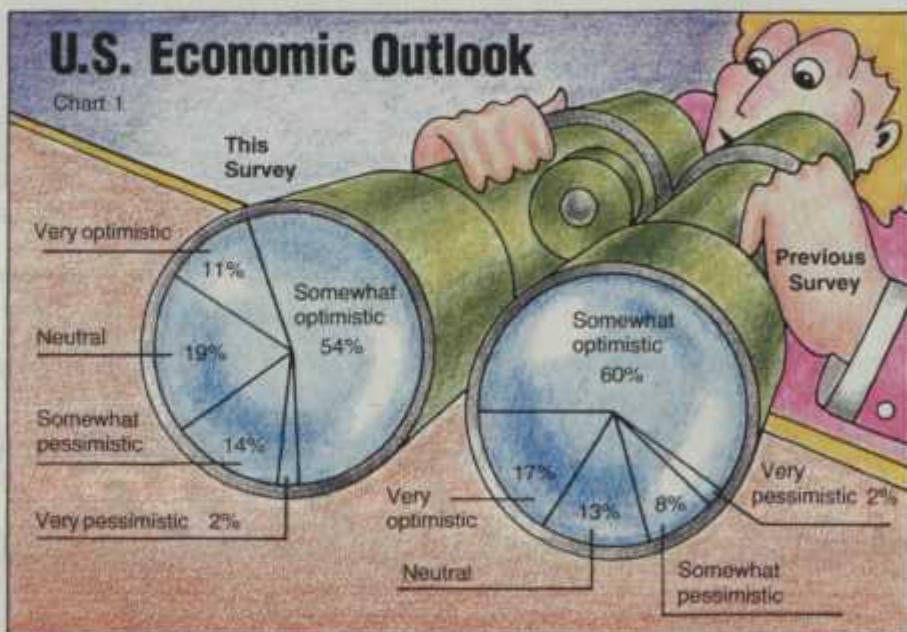
Donald McCombs, president and treasurer of Pattison Supply Company, an

industrial supply house in Cleveland, also expects the economy to remain healthy. "We're moderately optimistic about the economy. Inflation is moderate and interest rates are low. And the falling dollar seems to be making U.S. products more competitive in the international marketplace."

Most CEOs expect the prime interest rate, at 7.5 percent when the survey was conducted, to move higher by

year's end (see chart 2). Fifty-six percent predict the prime rate will be 8 or 9 percent, and 20 percent believe that the rate will be 10 percent or higher.

More than half of the CEOs believe that the inflation rate, as measured by the consumer price index for all urban consumers, will rise to 3-4 percent this year, up from the 1.1 percent increase last year (see chart 2). Even so, most executives see stability in inflation.



What CEOs Expect For '87 Prime Interest Rate

Chart 2

% of CEOs	Predicted Rate
5%	6% or less
19	7
31	8
25	9
12	10
4	11
4	12 or more

... And Inflation Rate

% of CEOs	Predicted Rate
7	1% or less
14	2
23	3
32	4
15	5
9	6 or more

Herbert S. Braun, a partner in Ernst & Whinney, is national director of its services for privately owned and emerging businesses.

The second Nation's Business-Ernst & Whinney survey of chief executives finds a slipping of confidence in the economy. But the watchword is still "cautious optimism."

Said David Stolp, president and CEO of Moehl Millwork, Inc., a wholesale millwork operation in Des Moines: "I think we've got a pretty good handle on inflation, and it appears as though that should hold. I don't see it getting beyond a 4 percent figure."

Net Operating Results

The executives surveyed share a guardedly optimistic outlook about their own

companies. Although they are slightly less optimistic than their counterparts were six months earlier (see chart 3), more than 60 percent of them expect their companies' net operating results to be improved in a year. Nearly 30 percent expect them to remain about the same.

Of the 20 percent who believe their net operating results will be much improved, more than half attribute the

improvement to reduced overhead and expenses, better management or improved efficiency. The previous group surveyed put more emphasis on marketing-related factors, including expanded sales, markets, product lines and channels of distribution.

Capital Spending And Borrowing

Slightly fewer CEOs expect to increase capital spending than in the first sur-

Expectations About Net Operating Results

	This Survey	Previous Survey
Much improved	20%	23%
Somewhat improved	43	48
About the same	29	23
Somewhat lower	7	5
Much lower	1	1

Chart 3

Capital Spending

This Survey



Previous Survey



Plans For Borrowing

This Survey



Previous Survey



Half Say No To Retirement

The entrepreneurial drive that motivates the leaders of America's small businesses apparently is hard for many of them to relinquish.

Nearly half the executives in the second *Nation's Business-Ernst & Whinney* survey say they do not plan to retire. And, even among those who do plan to retire, older executives generally plan to retire at a later age.

"I don't think I'll ever retire as long as I'm able to make a contribution," said Garman Kimmell, 73, president of Kimray, Inc., an oil and gas equipment controls manufacturer in Oklahoma City.

Joe Noto, 58, CEO of the Lawrence-Noto Company of Alabama, Inc., food brokers and manufacturers' representatives in Birmingham, echoed that thought. Said Noto: "I do not plan on retiring, ever. I enjoy my work too much."

Of the executives who do plan to retire, 72 percent are looking forward to it. Interestingly, executives who work longer hours tend to be thinking about retiring at an earlier age.

CEOs between the ages of 45 and 54 tend to look forward to retirement most. "Yes, I'll retire," said Catherine Poorbaugh, 52, president of Berkebile

Oil, Inc., an automotive chemicals manufacturer and retailer in Somerset, Pa. "I plan to retire, and I look forward to doing some of the things that I've never had the time to do."

And 54-year-old David Jordan said, "I would like to retire at 58, and I'm looking forward to it." Jordan is president of Computer Resources Company, a computer retailer in Allentown, Pa.

Of the executives who plan to retire, 78 percent said they had no concerns about it. Among those who did express concern, more than half are anxious about having enough money and maintaining financial stability.

MANAGING YOUR BUSINESS

The Economy According To Small Business

vey (see chart 3). Roughly 60 percent now say they expect to maintain current levels of capital expenditures. Fourteen percent are anticipating a decrease.

As might be expected, plans for borrowing indicate little change, largely reflecting the CEOs' plans for slightly reduced capital spending. Over 55 percent of those surveyed expect their borrowing to be about the same this year as last year, 18 percent expect an increase and 25 percent foresee a decrease.

Planning For Near-Term Growth

The CEOs were asked to rate a number of management considerations important to their planning for near-term growth. As in the previous survey, attracting and retaining competent employees ranked as the most significant factor.

"I think the employee—that is, finding and holding key management employees—is the key to growth," said Feldman of Modern Coupon Systems, Inc.

Said David Jordan, president of Computer Resources Company, a computer retailer in Allentown, Pa.: "What's important to me is what's important to the employees." Jordan is implementing new employee benefit plans. "The key to everything is our people. If you don't have good people, you have nothing," he added.

Other considerations, in descending order of importance to the executives, include minimizing taxes, increasing sales of existing products, making greater production efficiencies, lowering overhead and developing new markets.

Liability Insurance

The cost and availability of liability insurance continues to be of great concern for CEOs. Almost all say they are concerned, with three fourths saying they are extremely concerned (see chart 5).

V. Harold Alesio, president of A-H Mechanical Contractors, Inc., a plumbing, heating, air conditioning and fire-protection systems company in Nashville, said that his liability insurance costs rose 340 percent last year. "This year they tell me it is going up 29 percent more for half the coverage," he added.

Said Garman Kimmell, president of Kimray, Inc., an oil and gas equipment controls manufacturer in Oklahoma City: "Our product liability insurance

has gone sky high. I don't think we're going to see an end to it until we see some sort of tort reform in this country."

Primary Business Concerns

Government red tape again topped a list of other factors the executives believe could affect their businesses in the next year (see chart 4). Eighty-four percent say they are concerned about red tape—60 percent are very or extremely concerned.

"Bureaucracy is a significant frustration," said Ed Westerdahl, president of five companies in Oregon. "For instance, I'm making a small expansion

at one of our plants, and the steps we have to go through to do that are just ludicrous."

How worried are executives about the recent federal tax law changes? Fifty-one percent say they are either extremely or very concerned (see chart 4). Uncertainty about the impact of the Tax Reform Act of 1986 still runs high, and many executives say they are deferring decisions as a result.

Over one third of the CEOs are either extremely or very concerned about foreign and domestic competition. Approximately half also are at least somewhat concerned about the possibility of a recession, and the cost and availability of

Primary Business Concerns

(based upon those responding to each issue)

Chart 4

	Extremely Concerned	Very Concerned	Somewhat Concerned	Total
Government red tape	26%	34%	24%	84%
Federal tax changes	18	33	30	81
Foreign and domestic competition	14	22	19	55
Possibility of a recession	5	11	35	51
Cost and availability of labor	6	17	26	49
Cost and availability of credit	5	12	24	41
Inflation	2	7	32	41

Cost And Availability Of Liability Insurance

Chart 5

Extremely concerned

Moderately concerned

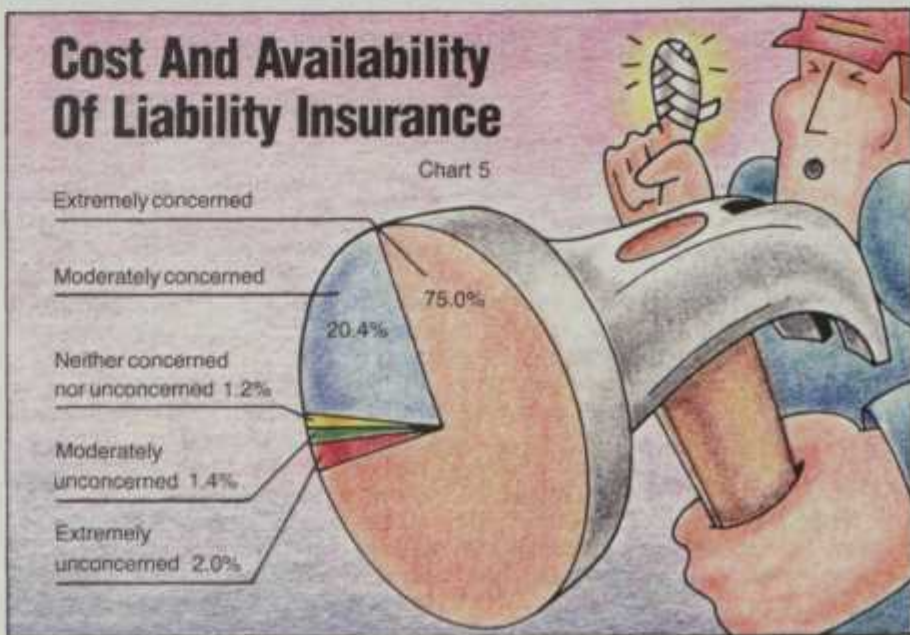
Neither concerned nor unconcerned 1.2%

Moderately unconcerned 1.4%

Extremely unconcerned 2.0%

75.0%

20.4%



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labor. Fear of renewed inflation ranked last on the list.

Balancing The Federal Budget

The survey also asked the CEOs to rate seven potential approaches to balancing the federal budget.

Improving the cost efficiency of governmental operations received, by far, the strongest support.

Said Westerdahl, "There is only one way you can bring costs in line in government, and that is absolutely no deficit spending. That forces government to live within its means... as I have to as a businessman and as an individual."

Message to Washington

Finally, the CEOs were given the opportunity to express any message they

might want to send to Washington. Among them: "Put your own house in order"; "Live within your means"; and "Wake up on our position on international trade, because we are losing ground fast." These messages again indicate a strong concern about government administration, legislation and policies, and less concern about the health of the economy. **■**

In Pursuit Of Outside Pursuits

Older executives find more time to relax outside the office than their younger counterparts, according to the latest *Nation's Business*-Ernst & Whinney survey. Regardless of age, golf is the favorite sport.

Only about 40 percent of the CEOs interviewed report they have enough time for nonwork activities, while nearly as many—36 percent—say they don't.

Nearly half of the executives 55 and older say they have enough time for nonwork activities, compared with 40 percent of those between ages 45 and 54 and only 29 percent of those age 44 or younger.

One executive who pursues outside interests is Sherwood Greenberg, president of Peninsula Sports Wear, Ltd., in New York. "I spend 20 hours a week on leisure activities," reported Greenberg, 60. "I like to play tennis, I like music, I like theater—and I like New York."

Leonard Feldman, 50-year-old CEO of Brooklyn-based Modern Coupon Systems, Inc., and of Professional Product Research, pursues other activities. "I like sailboating, racquetball and being with my family," he said. "We take at least one vacation a year for 10 days, and we enjoy our weekends. I spend about three or four hours a week exercising—and do a little bit more in the summer."

Other executives are involved in community, professional and religious organizations. Still others enjoy quiet, individualized activities such as gardening and reading.

Catherine K. Poorbaugh, 52, president of Berkebile Oil, Inc. in Somerset, Pa., pursues a number of community interests.

"I'm very active in Scouting," said Poorbaugh. "I'm also active in the local

hospital board and my church, and I have worked with the YMCA and different groups of young people."

One third of the executives said physical exercise is a critical part of their day. The younger executives in the survey tended to be slightly more exercise-conscious.

Golf ranks as the No. 1 outside activity among the executives in the survey, with one fourth of them heading for the fairways with varying degrees of regularity.

Other sports activities, in descending order of popularity among the executives, included:

Fishing, sailing/boating, hunting, tennis, snow skiing, exercising (aerobics, calisthenics, weight lifting, etc.), jogging/running, hiking/walking, racquetball and waterskiing.

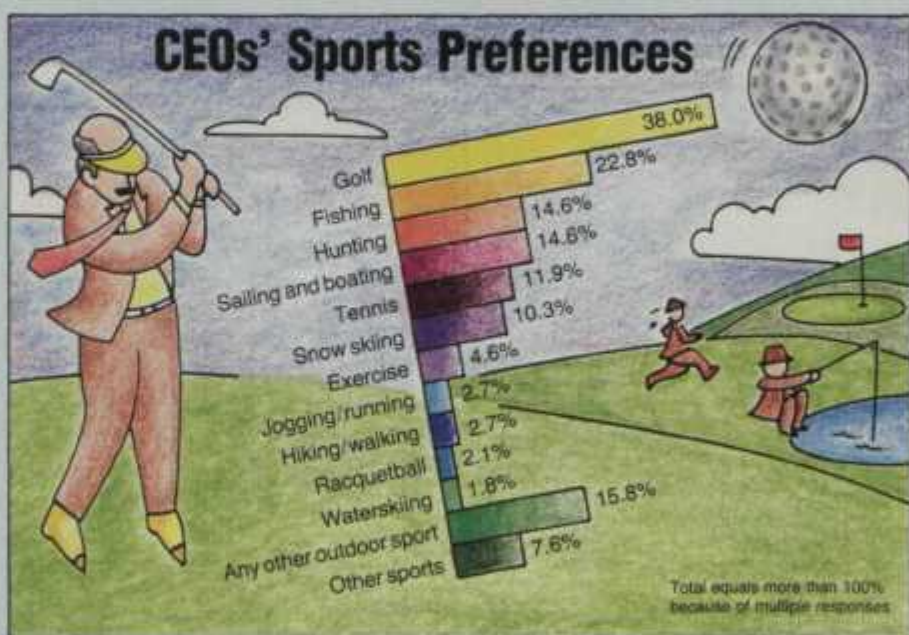
Among those leisure activities other

than sports, travel ranks highest, followed by reading, family activities and gardening/farming.

Four percent of the executives say they simply enjoy relaxing and doing nothing. Others enjoy spectator sports, pursue hobbies or collections, fly airplanes, watch television and "play" with computers.

Whether or not the executives find enough time outside the office, they enjoy being on the job: Ninety-five percent report they like their work.

Clifford Preston, president of Preston Refrigeration Company, Inc., in Kansas City, Kans., expressed enthusiasm typical of the CEOs: "I enjoy my work. It's a challenge, and it has certain rewards for doing a good job. We try to do the best job we know how, and try to please our customers. And that's a reward in itself."



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Canadian Prime Minister Brian Mulroney was seeking to reverse decades of trade friction when he announced in September, 1985, that he hoped to negotiate a comprehensive trade deal with the United States.

President Ronald Reagan embraced Mulroney's initiative then and reiterated his support in his state-of-the-union address last January, saying: "We will work to complete a historic free trade arrangement between the world's two largest trading partners."

Chances are good that Reagan and Mulroney will initial the trade pact this summer and send it to their respective legislative bodies. The whole trading world will keep an eye on these proceedings as a bellwether to the outcome of the ongoing global trade talks in Geneva.

"If we are successful," declared U.S. Trade Ambassador Clayton Yeutter to a Chicago conference earlier this year, "our agreement will be the envy of many countries and, hopefully, a model for multilateral negotiations."

Neither side is interested in a limited, traditional deal which aims simply to reduce tariffs on trade in goods. Although

More than \$123 billion in goods flow across the Canadian-U.S. border at locations like this one separating Sweetgrass, Mont., and Coultts, Alta.



PHOTO: FREDERICK WATKINSON—CANADIAN MUSEUM OF CONTEMPORARY PHOTOGRAPHY

that certainly will be an important part of current negotiations, 80 percent of Canadian exports and 70 percent of American exports were moving across the border duty free even before talks began.

The current talks have gone well beyond tariffs to include negotiations in services trade, trade-related investment, dispute settlement procedures, intellectual property protection, government procurement, trade in agriculture and the knotty issue of nontariff barriers and subsidies.

Many of these issues, like the burgeoning trade in world services such as finance and investment, are new to international trade negotiation. Dealing with them will be slow as new rules to define and monitor them are worked out.

On other issues, there could be disagreement or even stalemate. Subsidized trade in agriculture, national laws governing trade remedies and entry rules and treatment of foreign investment will be hotly debated in Congress and Parliament.

The pace of those talks has picked up. Part of the reason is the Reagan administration's strong, revived interest. Also, Congress has pledged to deal with the issue by October. The road could be bumpy.

Free trade advocates say the two economies will prosper even more if they drop all barriers.

Many Canadians see Congress as increasingly protectionist. They see Canada being treated as a major target for trade redress. Canadian lumber, steel, potash, hogs, fish, pipes and other tubular goods and even fresh-cut flower exports have all been recent targets of industry trade actions in Washington.

Americans, of course, see the issue quite differently. Members of Congress, frustrated by record trade deficits and equally intractable budget deficits, have resorted to managed or "fair trade" solutions directed at foreign trading partners.

The current congressional drive for an omnibus trade bill that would result in stricter import rules at home and tougher regulations against foreign trade and investment restrictions abroad runs counter to the more open bilateral free trade approach. As such, it could produce conflicts for lawmakers when it and the proposed Canadian trade pact are up for debate and decision later this year.

Sen. Lloyd Bentsen (D-Tex.) led a delegation of the Senate Finance Committee to Ottawa earlier this year. "I flew to Cana-

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The St. Lawrence Seaway carries millions of tons of merchandise annually, closely linking the economies of Canada and the States.

U.S. Trade Ambassador Clayton Yeutter says the whole world will envy the trade deal being negotiated by Washington and Ottawa.



PHOTO: PETER CHRISTOPHER—CANADIAN MUSEUM OF CONTEMPORARY PHOTOGRAPHY



PHOTO: SHEPARD SHERRILL—PICTURE GROUP

da," he says, "because I want to see those negotiations move ahead, I want to see us develop a trade agreement there, and I want it to be one that'll be held up as an example to the rest of the commercial world of what can be done."

The lack of broad public awareness of the bilateral trade issue in the United States prompted Canadian International Trade Minister Pat Carney to urge American business and other influential groups to spread the word and explain why freer trade is beneficial to both nations. "Barriers to trade are barriers to business and economic growth," she says.

In sharp contrast, every scrap of information about trade issues has been headline news in Canada for the past two years. Canadians often wonder why Americans don't pay more attention to their enormous economic relationship with their northern neighbor.

No two other nations in the world can match the \$123 billion (U.S. dollars) in merchandise trade that flowed both ways across the border last year. American exports to Canada, about \$56 billion last year, exceeded those to the European Community and were more than twice U.S. exports to Japan. Ontario alone, Canada's largest and most industrial province, imports more U.S. goods than Japan.

The Canadian economy is far more dependent upon its commercial relationship with the United States than the United States is upon Canada. Canada sends close to 80 percent of its exports to the United States. The United States, in contrast, exports about 22 percent of its trade to Canada.

Although it is taken largely for granted, the common heritage of language, shared values, blood relationships and geography has strongly influenced and strengthened the natural forces promoting north-south

trade. And those trade forces, laced with thousands of personal, regional and corporate links, have never stopped operating.

It would be surprising if the extent of this trade activity did not also produce corresponding movements in investment. In fact, each country serves the other as the location for its largest share of foreign investment. At the end of 1985, American-controlled direct investment in Canada stood at \$45 billion. Canadian-controlled direct investment in the U.S. totaled \$25 billion.

Countless firms on both sides of the border have extensive operations in both nations that will be affected by the outcome of the free trade debate. In Canada, the most powerful pro-free trade forces include the Canadian Manufacturing Association, the Canadian Chamber of Commerce, the Business Council on National Issues, the Canadian Federation of Independent Business and the Mining Association of Canada.

Canadian business support of liberalized trade is motivated by growing confidence in its own ability to compete internationally and the need for more assured access to a larger continental market.

"If we don't get into some fairly broad arrangement with the U.S. to liberalize trade, we'll isolate ourselves and fall behind the rest of the modern industrialized world," said Claude Castonguay, chief executive of Laurentian Group Corporation, a Quebec-based financial services conglomerate.

As Trade Minister Carney put it in a recent parliamentary debate: "Standing still will make us poorer. Only moving ahead will make us richer."

Of course, there are industrial sectors in Canada and the United States that would be made vulnerable under free trade, such as textiles, furniture, footwear and food processing, to name a few.

By and large, however, much of the American business community—including the U.S. Chamber of Commerce, the National Association of Manufacturers and the Business Roundtable—has also endorsed the bilateral free trade initiative.

Addressing a House Banking subcommittee last year, John Mullen, corporate vice president of Johnson & Johnson Corporation, said a free trade arrangement generally would benefit the United States by improving American competitiveness, winning more Canadian markets, easing costly trade disputes and setting an example for the multilateral talks in Geneva.

Mullen, who was speaking on behalf of the U.S. Chamber, said a free trade deal was an attractive congressional alternative to protectionism.

A recent study of a U.S.-Canada free trade pact by the Washington-based Institute for International Economics concluded that it would make both countries more competitive and expand America's export market by about 7 percent.

Ambassador Yeutter said high Canadian tariffs, which average around 9 percent (compared with half that amount levied by the United States), are still the focus of one of the most frequent complaints of U.S. exporters. With Canadian tariffs on many consumer goods—furniture, pleasure craft, household appliances, lighting and bathroom fixtures, footwear and textiles—ranging from 11 percent to 25 percent, American exporters of these goods will score major gains with free trade.

Another key goal for American negotiators is removal of additional barriers that still prevent unlimited free entry of American investments.

Ideally, the United States would like "right of access" for its investors and, once inside the borders, a policy of "national treatment" that would regard Ameri-

can investment no differently from Canadian investment. Any movement toward that ideal would certainly break ground in multilateral trade and would be used as a model for the current round of international GATT negotiations.

The American financial services sector would welcome a policy of national treatment because it currently labors under several Canadian ownership and other restrictions, some of which are now being dismantled.

Besides financial services, Washington wants improved access for its data processing, trucking and construction sectors and more open Canadian sourcing for U.S. telecommunications firms.

Both sides are seeking to dismantle or reduce government subsidies, including export incentives.

The search, however, is for an alternative set of bilateral trade remedy rules, backed up by a dispute-settlement arrangement, to arbitrate gray areas within the new structure.

What Canada would like to see is a "national treatment" concept applied to trade remedies. Canadian companies, for example, would be treated no differently from U.S. domestic companies when accused of dumping or other price discretions.

Strict equality of treatment clearly is not feasible across the whole range of a free trade agreement. Canada, for example, wants a longer phase-in period for tariff reduction. It wants special consideration for certain "cultural" pursuits, a consideration that comes close to commercial preference in areas such as films.

Discrepancies sorting out the relationship of provincial and state governments to the terms of an agreement are inevitable. Canadian provinces, which have major legislative or regulatory powers to exercise in any comprehensive agreement, are approaching the free trade issue with varying degrees of enthusiasm.

Alberta, for example, like most resource- and commodity-based western provinces, is enthusiastic and vocal in its support. "The basic philosophy of Alberta's entrepreneurs and of their government

is that the free movement of goods and services . . . is vital to the maintenance of a healthy economy," declared James Horsman, the province's lead minister on trade negotiations.

Ontario, however, has shown considerable reservations about an all-out agreement, expressing concern for the future of its auto and cultural industries. Ontario business leaders, however, do not share their government's reservations. And little wonder. Given its huge manufacturing base, Ontario probably has the most to gain from comprehensive free trade.

The many particulars of the trade talks between the North American neighbors may seem bewildering and daunting, but trade policy makers in Washington and Ottawa alike realize they have the whole world looking over their shoulders. If two of the globe's biggest trading nations can exchange goods and services harmoniously, there is hope for the other 90 GATT signatories who are striving in Geneva to clear sea lanes for far more complicated commerce. **EB**

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PEOPLE

Fostering Young Entrepreneurs

By Nancy L. Croft

Late this summer, Gregory Riccardi, president of Videoccasions, in Franklin Lakes, N.J., will be packing several thousand dollars' worth of video cameras, lenses and recording equipment into brown cardboard boxes. Along with his business, Riccardi will pack a dictionary, notebooks and underclothes with his name sewn inside.

Riccardi, 18, and his 2-year-old videotaping business are going to college. Although Riccardi has not decided whether to study law or business, he says the experience of marketing and serving his customers will benefit him in any career.

Last month, *Careers* presented Riccardi and 10 other teenagers with \$1,000 scholarships at a luncheon ceremony at the U.S. Chamber of Commerce. All were winners of the first annual *Careers* Magazine Leadership Awards, which recognizes high school seniors for outstanding performance as entrepreneurs and employees. *Nation's Business* cosponsored the event with ArtCarved Class Rings, Burger King Corporation, Chase Manhattan Bank and the National Association of Chain Drug Stores.

Riccardi is one of today's teenagers who are taking life more seriously, says Sondra Kurtin, publisher of *Careers* magazine. "They are more serious than their counterparts 10 to 15 years ago. And they are more interested in business as a professional and career goal."

Careers' contest is the first to recognize students for business savvy, says Publisher Kurtin. "Most contests for teenagers reward community service or academic achievement," she says. "But we could not find one that specifically rewarded excellence in achievement in the world of work," an equally deserving accomplishment. This year's recipients, she says, "are all college-bound, doing extremely well in school and live up to the maxim that 'the more you have to do the more you get done.'" Of the 700 applications the magazine received, Kurtin says 20 percent were from young entrepreneurs.

Adam Marsh and Stephen Mumford, partners in Marsh and Mumford Products, Berlin, Md., won scholarships for the merits of their software program, the Illustrated S.A.T. The year-old com-

Lori Hoskins started a sailboat rental business at age 15 to earn money for college. Though she earned \$10,000, she says learning about business was the greater asset.



PHOTO: BILL PERKINS

pany has received \$1,500 in orders for the program, which offers an illustrated guide for scoring well on the verbal portion of the college aptitude test.

In Elyria, Ohio, Shawna Hunt was selected for her custom-printed sportswear enterprise, which she began at age 14. Sales last year were \$24,000, triple that of her first year. Richard "Scott" Hansen, who started Scott's Mowing Service in Schleswig, Iowa, while a high-school freshman, received high ratings for his initiative and customer service. Another entrepreneurial award winner, Lori Hoskins, founded and ran Westend Sailboat Rentals, Inc., in Panama City Beach, Fla. The business generated \$10,000 for her college tuition.

Outstanding employees included Susan Otter, for her work with handicapped children in White Plains, N.Y.; Julie Jacque, for her marketing acumen at Custom Tees and Sportswear, in Wilmington, Ill.; Robertina Gray-Burbee, a marketing education student in Washington, for her work at Junior Mode Bootery; Andrew Werblow, of Guilford, Conn., for his reporting at Shore Line

A unique scholarship program rewards youthful employees and business owners who have succeeded in defraying college costs.

Have videocam, will travel. Gregory Riccardi, president of Videoccasions, is taking his business to college with him this fall.



PHOTO: EDWARD JOSEPH

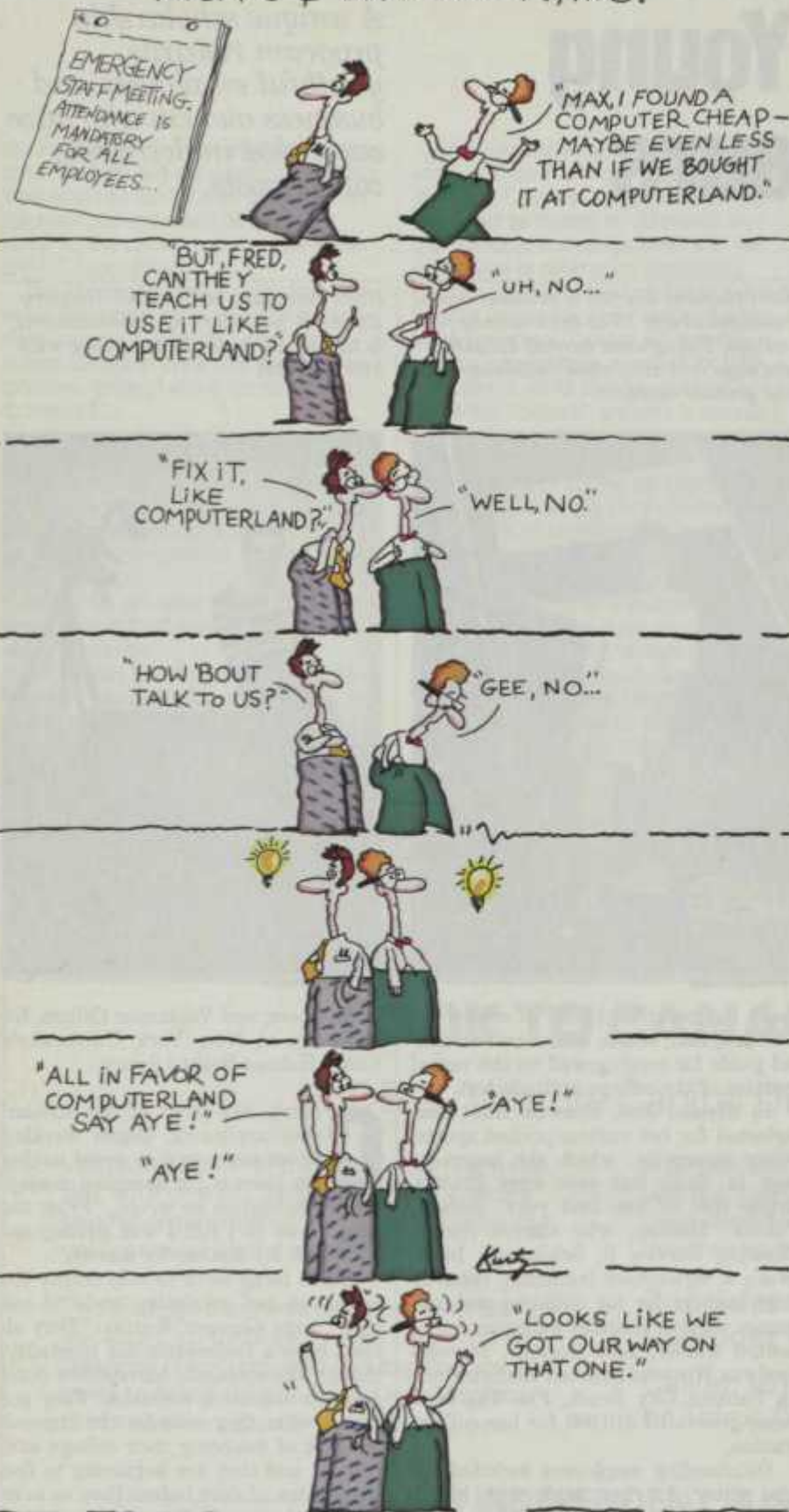
newspapers; and Valdamier Collins, for his work at New York University's Elmer Holmes Bobst Library.

Collins, like most of the scholarship applicants, began working at an early age to avoid asking his parents for spending money. In his application he wrote, "From the time I was 13 I felt I was getting too old to ask my mother for money."

"Some teens work to help defray the enormous and escalating costs of college," says *Careers'* Kurtin. "They almost have a Depression-like mentality, though the economic barometers don't seem to indicate a recession. They are facing what they consider the impossible task of financing their college educations, and they are beginning to feel the burden of debt before they've even reached the age of 20 or 21."

Lori Hoskins started her sailboat rental business with her brother and sister when she was 15 to earn money for the anticipated high cost of pharmacy school. Her father was the company's initial investor, but Hoskins and her siblings were responsible for every-

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Fostering Young Entrepreneurs

thing else, including buying liability insurance, incorporating and keeping regular business hours.

Westend Sailboat Rentals, Inc., had the tough task of attracting customers from its rival, a sailing and surfing shop with a longtime monopoly on sailboat rentals. The fledgling business started by charging lower prices and providing "extra services such as giving free sailing lessons," says Hoskins, now 17. "We ended up doing a pretty good business, and our competitor had to drop his prices."

Though the work was rigorous, Hoskins says she was not overburdened. "I think it's good for teenagers to start their own businesses," she says. "It's not like you have to earn your bread and butter. You have a little room to fall here and there and make mistakes. I've learned so much about people and the importance of customer satisfaction. That will really help me a great deal in my pharmacy career later."

Another seasoned entrepreneur, Greg Riccardi, says his most valuable lesson was learning the importance of taking initiative. "Reward is directly related to effort. When I don't perform, I notice the difference in the amount of work and the types of jobs I get."

He feels confident, however, that he will build a profitable business. It is in his blood, he says. His father built a successful auto repair and car lot from a teenage hobby of tinkering.

Shawna Hunt also looked to her father for business advice. "My father originally encouraged me to start my own business more as a learning experience rather than just a money making proposition," she says. "I think we were both surprised at the monetary success."

For all enterprisers, practicing restraint when success is achieved is the most difficult lesson to master. Stephen Mumford, co-creator of the Illustrated S.A.T., sees great potential for his business, but knows that living in the lap of luxury takes time and hard work.

Writes Mumford in his scholarship application: "People we don't even know order the product . . . The money that these unknowns send produces dreams of jetting to the America's Cup in Australia and motoring to school in a jet-black Testarossa, but such excitement will have to wait until the bank is appeased. Until then, I shall continue to enjoy the distinctive rumble of the muffler on Dad's rusting VW Rabbit." ■

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Franchising: T-Shirt On Your Back

By Meg Whittemore

Buying new outfits for the family 20 years ago usually meant a day-long adventure at a department store. Since then, catalog shopping, specialty stores and off-price outlets have entered the retail race, and full-line department stores are scrambling to maintain a lion's share of the consumer's dollar. But if the growth of specialized clothing retailers over the past eight years is any indication of things to come, the giant retailers may witness a strong wave of customer preference for alternative shopping options.

"There is no question that today's consumer responds positively to specialization, quality and convenience," says Richard Ashman, chairman of the International Franchise Association. "Franchising gives the clothing retailer a strong advantage: the capacity to move into the unfilled niche, expand rapidly and establish market share."

That advantage has worked for Allison's Place, a Los Angeles-based women's apparel franchise that charges one price for everything. "We sell everything at \$7—nothing higher," says Marvin Schenker, president. "A person can go into a store and get value and not be shocked to find out what it is going to cost."

The approach has met with favorable customer response. Allison's Place, named after the daughter of founding partner Ben Goldstein, started in 1980 with two Los Angeles strip-center locations (free-standing clusters of retail stores usually in high traffic areas) and annual sales of \$3 million. Seven years later, sales topped \$35 million just in the 168 company-owned stores (there are a total of 240 stores).

Allison's Place offers women's apparel that usually sells for \$12 to \$49 in major department and specialty stores. "We buy off-price merchandise, cancellations and closeouts directly from the manufacturer," says Schenker, "and we supply our franchisees. That's how we keep the prices down." Customers evidently approve. Allison's Place has enjoyed a growth of 70 store openings in each of the past three years.

Meg Whittemore is a Washington-based free-lance writer specializing in franchising.

Companies moving into retail clothing franchises include some from apparently unrelated business areas. Gymboree, which franchises

children's exercise centers, now offers a line of clothing designed for children's activities, thus capitalizing on their main business.



PHOTO: GYMBOREE CORPORATION

Store locations are still primarily in strip centers, and franchisees can start an Allison's Place for an all-inclusive \$99,500. Royalty fees amount to 3½ percent of gross monthly.

According to Schenker, hardworking individuals with the ability to follow instructions make good franchisees. He adds: "You've got to really like clothing, you've got to like selling it, you have to be a people person."

Catering to people, specifically children, is what Gymboree Corporation is all about. The Burlingame, Calif., franchisor began by offering physical workout programs tailored to the needs and abilities of children. Parents accompany their children to the Gymboree centers and participate in the programs. The success of the program was almost instantaneous.

"From that base, we have expanded into products that help support that active lifestyle," says Karen Anderson, vice president of public affairs and licensing. Those products include clothing as well as indoor play units and toys.

By adding product stores concentrat-

ing on the clothing line to its centers, Gymboree is becoming a specialty clothing retailer. "It is a business that provides services and goods to parents seeking an active lifestyle for themselves and for their children," says Anderson.

Sweatshirts and sweatpants are constructed with an eye towards durability and adaptability: elbow and knee pads for protection and generous cuffs on both pants and shirts to accommodate a child's growth. The styles, says Anderson, enhance activity. "We've been doing research for 10 years through our work with kids and parents," says Anderson, "and, in terms of being a specialty store, we identify ourselves exclusively as activewear."

Right now, Gymboree product stores are in San Mateo and San Jose, Calif., the original two markets of Gymboree centers. "We felt that trying the lines in existing centers gave us a good indication of people's readiness and awareness of the concept that could most easily be translated into product and

The success of specialized shops for retail clothing suggests the ability of franchising to adapt quickly to market opportunities.

retail," says Anderson. Product pricing is considered moderate for the private-label sweats with shirts selling for \$10-\$12 and pants for \$16-\$20. Sales at the first two centers "have met our expectations and, in some cases, have exceeded them," Anderson says.

Sales growth for Pro Image, a sports gift and clothing shop, is far more specific. The Bountiful, Utah, company realized \$300,000 in revenue last year. This year, co-founder Chad Olson projects, that figure will be \$1.6 million. "Most Americans are sports fans," he says, "and we offer the fan the chance to buy the same merchandise used by U.S. professional teams."

The idea began in 1984 when Olson's brother, Kevin, was in Los Angeles on

vacation. The search for a souvenir Los Angeles Dodgers baseball cap for his son was frustrating and eventually fruitless. Back in Utah, Kevin turned the quest for a Dodgers cap into the idea for a business. Within two weeks of incorporating Pro Image in October, 1985, the brothers sold nine franchises. In 1986, there were 60 Pro Image franchises sold and 31 stores open. This year Olson expects to have 161 sold and 100 open in 40 states.

"Sporting events have become a major part of our everyday lives," says Olson. "We view the retailing of authentic sports merchandise as still in its infancy with an enormous market appeal and growth potential." Products include authentic and replica team T-shirts, jerseys, jackets and hats of all major sports teams "so the fans can

actually wear an exact copy of [Chicago Bears quarterback] Jim McMahon's jersey if they wish," he says. Prices range from a low of \$2 for a key chain to a high of \$500 for a chair in the shape of a football helmet.

Pro Image franchisees invest \$70,000-\$80,000 to open. The franchisor provides initial inventory, but each franchisee eventually deals directly with the national suppliers.

Focusing on a narrow niche in consumer tastes, such as off-price or specialty clothing, and penetrating a market is what retail franchising does best. Market research can uncover emerging consumer trends, but often a canny entrepreneur can spot and capitalize on the subtle shifts in spending habits of the American consumer. **MB**

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Pam Davenport pictured here at The \$13.99 Store in Paducah, Kentucky. Her store is the main drawing card in the Paducah Off-Price Mall. Pam, who had an existing apparel store, changed over to the \$13.99 concept and her business "has more than tripled."

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Fleet Management

By Julie Candler

A degree in business administration did not prepare Dan Stretch for his job as a fleet manager at Dodson Insurance Group in Kansas City, Mo.

As captain of a fleet of 110 company-owned vehicles, he is by turns a director of safety, insurance expert, mechanic, quasi-legal counsel, diplomat in negotiations between executives and fleet car drivers, policy setter and enforcer, licensing and title expert, master used car salesperson and adviser for drivers who have had accidents or breakdowns.

The number of hats the men and women who manage the auto and truck fleets of small to medium-sized businesses need to wear is increasing.

Now they can add tax expert to the list. Both truck and auto fleet directors are trying to stay on the right road now that the 1986 Tax Reform Act has given them new maps.

Managing fleets in an age of tax reform is no trivial task. Adding the automobiles in business and other fleets of 10 or more to the number of individually leased cars yields a January, 1986, total of 7.5 million, according to *Automotive Fleet* magazine.

The Hertz Corporation says total units in lease-rental service alone hit a new high of 6.7 million in 1985.

In 1986, nearly 4 million light, medium and heavy-duty trucks were registered to fleets of six or more vehicles, according to the Motor Vehicle Manufacturers Association.

Every individually leased vehicle is also part of a fleet owned by the lessor, points out Robert J. Schultz, vice president in charge of General Motors' Chevrolet-Pontiac-Canada group. He estimates that fleets—including Chevrolet's lease car fleet—buy 20 percent of Chevrolet Division's auto output.

A trend toward leasing has been evident among truck fleets throughout the '80s. With tax reform, leasing is expected to increase among car fleets. Under the new law, says David Lefever, executive director of the National Association

Julie Candler is a Detroit-based automotive writer whose articles have appeared in Woman's Day, McCall's, MS, Working Woman, Redbook, Home Mechanix and other publications.

Dan Stretch, fleet manager for the Dobson Insurance Group, Kansas City, Mo., has decided that tax reform makes leasing vehicles more economical than buying.



PHOTO: CHUCK KNEYS—BLACK STAR

tion of Fleet Administrators, depreciation has been changed from three years to five. "Most fleets only keep cars an average of 30 months," making a lease more attractive.

Dan Stretch says his firm is switching to leasing after studying tax reform's impact because Dodson trades its cars—110 Chevrolet Celebrities for its sales reps—after two years. Another benefit is that the lessor, Lend Lease of Minneapolis, will provide Dodson with maintenance records and comprehensive reports on how funds are spent.

However, experts predict most fleets will be made up of purchased vehicles, at least for 1987. "I see no major shifts until 1988," says Adlore Chaudier, executive editor of the publications division of Runzheimer International. The Wisconsin-based consulting firm specializes in trucking travel and living costs.

"Companies are going to study tax

Keeping a small or mid-sized vehicle fleet in order requires many talents from managers, and tax reform makes the job harder.

reform and see how it affects fleet programs and deals offered," Chaudier predicts. One significant change; repeal of the investment tax credit. Chaudier expects leasing companies to raise their rates to compensate for the loss of that benefit. "Under ownership, businesses lose it as well, so whether you own or lease, there will be a loss."

Chaudier says many firms have reduced the number of cars in their fleets because of high insurance rates and 1985 IRS regulations that make the per-mile value of personal use of company cars taxable income. All users of company cars must record the miles they log for personal and for commuting use.

"At least on the executive portion of the fleet, many firms are replacing the company car perk," says Chaudier. "They usually do it with a one-time payment of the semi-retail price—an amount between the used car lot price and the auction price."

Lefever adds: "There's still incredible confusion over tax rules for personal use of company cars. As of March, new rules and regulations under tax reform have not been clarified by the IRS."

Another governmental action is creating a major problem for many commercial truck fleets. Deregulation of the trucking industry in 1982 has many common carriers struggling to survive, even though some of their competitors went under, apparently reducing competition. *Ward's Automotive Reports* says that in the first year alone, 7,000 new operators entered the goods-hauling business.

"It enabled a lot of companies to get into the business," says Steven L. Calitri, co-publisher of *Enroute*, a Northeast regional magazine for motor freight management. "Deregulation allowed existing companies to expand, whereas their hauling rights had been restricted, and it was difficult to get them extended or to buy rights from another operator."

"It gave private fleets the ability to do some for-hire carrying. Before deregulation, one division of a corporation that was a private carrier with an empty trailer wasn't able to carry a load for another division," adds Calitri.

But for fleets like that of Service

MANAGING YOUR BUSINESS

Fleet Management

Pam Borgeson says Codex Corporation, Canton, Mass., invests in training drivers so it won't have to spend the money on repairing vehicles.

Equipment & Trucking, Inc., of Mattoon, Ill., deregulation has been bad. "Volume is down, and we're just trying to hang in there and survive," says Bill Hall, general manager of trucking and secretary-treasurer of the firm. Its 30 heavy-duty trucks haul freight.

A lot of his competitors, Hall claims, are cutting rates and operating below cost to keep cash flowing. "You will see a lot of them going by the wayside. And experienced drivers won't keep working for the salaries they offer."

In defense of deregulation, Calitri believes many companies that failed weren't strong enough to meet the competition. Because deregulation opened the industry to free competition, Calitri contends that it forced the industry to cut fat and adopt lower freight rates that are more realistic.

For both auto and truck fleets, obtaining dependable drivers is a major problem. Poor drivers contribute to the high cost of liability insurance.

Smaller fleets have a more difficult time getting insurance. "Liability insurance costs are putting some of these people out of business, even when they can get insurance," says Donald Smith, executive director of the National Committee for Motor Fleet Supervisor Training. A program of the Highway Traffic Safety Center at Michigan State University, Smith's three-day course covers everything from fleet supervision to hauling hazardous materials.

To reduce insurance costs, both auto and truck fleet directors are stressing safety. One approach is that of Fleet Manager Jere Bollinger of R.W. Souder, Inc., an egg processor farm in Lititz, heart of Pennsylvania Dutch country. The 10 heavy-duty trucks he supervises have to move cautiously. Each carries 330,000 eggs into major Eastern cities daily.

"Our trucks leave by 10 p.m. They make their deliveries and try to get out of the cities before the morning rush hour starts, which reduces chances of accidents," says Bollinger.

A March analysis by the editors of *Runzheimer Reports on Transportation* concludes that "the crisis has peaked," and insurance coverage is becoming more available to fleets.

A few companies are setting up their own risk management plans. But for truck fleet managers, the biggest emphasis is on improving safety records by hiring reliable drivers. Therein lies another problem. "Often the kind of



PHOTO: BOB FRIEDMAN—BLACK STAR

person who will apply is a misfit," claims Calitri of *Enroute*. "The job doesn't require a high level of education. There are no requirements to get into the work and the skill can be acquired quickly. Unless you have a super screening structure in the hiring process, it's very easy to let undesirables slip through, and it can be disastrous."

Bill Hall refers to "cowboy" drivers who want to speed all the time. Service Equipment's solution is to require its drivers to live in the area of the state they use as home base. Their records can be more thoroughly checked, whereas a driver from another state could be concealing a record of accidents and speeding violations elsewhere.

A lot of successful companies have superior hiring practices that screen out the misfits. One is A-P-A Transport of North Bergen, N.J. In addition to leasing trucks to others, the firm operates as a common carrier. After the initial interview, screening begins with a careful check of every reference on the job application. Next comes a security check, which includes a polygraph test, where permitted.

Joseph Whelan, director of personnel, has the driver's safety record checked in every state in which the applicant is licensed. Drivers are then scheduled for a three-week training program. If they pass, they are hired for a 30-day probationary period. During that time, the firm monitors the probationary driver's production, courtesy with customers and attitude.

"A driver is also a salesman and a

first impression of the company out on the road," says David Raugath, fleet operations manager for Creation Windows, manufacturer of RV windows. He contends the driver with the right personality traits isn't always the most reliable driver.

Some companies are solving the driver problem by getting out of owning fleets and hiring other carriers to handle their hauling and deliveries, according to Michael Brown, editorial director for Allied Publications of Indianapolis, which specializes in trade publications for heavy construction and industry.

Unhappy because accidents were costing too much in car body shop repairs and lost service, sales revenue and workmen's compensation, a Canton, Mass., auto fleet manager started a pilot anti-crash program.

"We hate to see hundreds of thousands put into repairing cars. We would rather invest the money in the drivers," says Pam Borgeson, supervisor of fleet and financial services for Codex, a maker of modems and related equipment. Most of its 250 lease cars are driven by service engineers.

The Codex solution is for drivers to report for four hours of intensive safety schooling, provided by instructors from International Training, Inc., of Marietta, Ga. Borgeson is confident the training can achieve the results obtained by other ITI clients: a 30 to 50 percent reduction in accidents. The company will also train all new hires. "Some of our service engineers spend up to five hours a day in their cars, and it's good business to train them," says Borgeson.

Her firm has begun asking applicants for driving-related jobs to provide certified copies of their driving records for the past three years. Anybody who had several violations would not be provided one of Codex's cars, according to the fleet manager.

Another worry for Borgeson is low resale values. She and other fleet directors blame manufacturers' sales incentives such as rebates, discounts on option packages and low interest rates. "Why would retail buyers take a used car at the high finance rate of 12 percent when they can finance a new car at 3.9 percent? You are getting a new car with a good warranty. On a used car it may be three months."

Lower used car values are increasing commercial fleet costs about \$20 per month per car, according to *Automo-*

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Fleet Management

tive Fleet. Borgeson is trying to increase resale values by selling at 55,000 miles because cars are in better shape than at 65,000, her previous resale mileage.

Other fleets' solution is to keep vehicles longer.

"Our field men drive 2,000 to 3,000 miles a week and we put 75,000 or more miles on a car. A high-mileage car has lost most of its value," says Albert Carter, assistant vice president, Farmers Mutual Hail Insurers of Des Moines.

Added fleet car mileage makes sense now that the Big Three auto makers, responsible for more than 80 percent of all fleet purchases, have applied their extended warranties to fleet vehicles. In late January, General Motors doubled the length of its warranty coverage to six years or 60,000 miles on powertrains and against corrosion. Ford followed a few days later with a nearly identical plan. Both firms were one-upped by Chrysler, which offered seven-year/70,000 mile protection. Auto executives predicted the increased warranty periods would increase values at trade-in time.

Originally, however, fleet managers were dismayed because auto makers offered their increased warranties only to the retail market. The plans were part of an effort to boost sales. But fleet managers applied pressure and got the new warranties applied to their new purchases as well. According to the National Association of Fleet Administrators, Chrysler Motors Chairman Gerald Greenwald told fleet buyers: "Chrysler will not treat you as second class citizens."

Chrysler and other auto makers definitely do not treat fleet buyers as second class citizens in negotiating large-volume deals. The discounts that manufacturers offer to fleets as incentives long have rankled some auto dealers. Every fleet purchase must be processed through a dealer, who often sees the fleets' preferential pricing as paring off a large slice of the dealership's potential profit.

To stop the practice in its state, the Iowa Automobile Dealers Association fought hard for a law passed last July. The Anti-Fleet Incentive Law forbade auto makers from selling cars to fleet buyers at prices lower than those given to auto dealers.

The dealers soon regretted the move, however, when surrounding states failed to pass similar legislation. With-

Adlore C. Chaudier of the Runzheimer consulting firm says that tax reform will make losers

whether companies choose to buy or to lease.



PHOTO: RICHARD DEER

out incentives available in their home state, fleet buyers went out-of-state to make their purchases. Within six weeks, Iowa dealers had lost all of their fleet business. *Automotive News* called them "sacrificial lambs in the battle against manufacturers' incentives to large fleet buyers."

"The price differential was so tremendous that I went out-of-state to a third party vendor in Minneapolis," says Carter. "I was able to get my fleet rebate from them."

The Iowa experience made it unlikely that other states would consider similar laws. The Iowa dealers reversed their stand, and the law was repealed last February.

The typical auto fleet buys mid-sized vehicles with six-cylinder engines. Many are cutting costs by downsizing into smaller, four-cylinder cars. Drivers accustomed to bigger cars have complained. Some fleet managers deal with discontent by offering company-paid options such as tilt wheels and power seats, according to Runzheimer.

Capitalizing on the trend, Delco Electronics, a General Motors subsidiary, is using the first pre-recorded cassette ever placed in a print ad to sell its in-car audio equipment to fleet managers.

The cassettes in the April issue of *Automotive Fleet* magazine are part of an ad campaign launched by Delco. The ads suggest a way companies can communicate better with management, sales and service personnel. All they need is cassette players in their fleet cars.

Instead of listening to John Denver

or Bruce Springsteen, drivers of fleet cars could use their hours on the road more efficiently by hearing messages from the CEO or sales training tapes.

To control repair costs, many fleet directors are learning another type of expertise: computer skills. They are tracking preventive maintenance with special programs. Some use off-the-shelf software such as that developed especially for small businesses by Wood Technologies of San Diego.

Computers can help managers like Dodson's Stretch, who feels overwhelmed by paperwork. Additional training, he says, is most helpful. Companies are sending many of their managers, like Stretch and Borgeson, back to school to earn a Certified Fleet Manager designation.

Stretch's program requires a week's classes at Wharton School of Finance at the University of Pennsylvania, six graduate-level home study courses and a final week at Wharton. His certification will take a year and a half of work and cost about \$7,000, paid by his employers. The course was arranged by the National Association of Fleet Administrators and a grateful Stretch says, "It gives me more status with the executives I deal with."

And a jump on the changes that continue to challenge fleet managers in an increasingly competitive environment. ■

To order reprints of this article, see page 89.

Keeping Business At Home

By Marc Leepson

Partners Ben Walker (left) and Tom Combs were nearly forced to abandon plans to purchase a Navasota, Tex., furniture plant. The necessary funds were unavailable until the Texas

Economic Development Commission lined up a financing package that included a grant to the city of Navasota. The city then lent the

States are attempting to go beyond merely attracting business from outside. They are helping businesses stay afloat and expand where they are.

money to Walker and Combs, enabling them to buy the plant. Today their company, Sorrell of Texas, is thriving.



PHOTO: NORM KENDRICK

In the early '50s, J.S. Waldman started designing and building furniture in the small town of Navasota, Tex., about 70 miles north of Houston. Within a few years Waldman's operation, Sorrell Manufacturing, was selling sofas, loveseats, chairs and ottomans to retail stores throughout the state. At its height, Sorrell employed 125 workers.

Then, in the late '70s, Waldman's health started declining, and Sorrell started declining too. By 1985 the plant had fewer than 25 employees, and Waldman was on the verge of going out of business. Sorrell's closing would have been a bitter pill for the town of Navasota, which was reeling under the dual punch of Texas' ailing oil industry and the region's depressed agricultural economy.

Then, entrepreneurs Tom Combs and Ben Walker entered the picture. Combs and Walker, partners in several business ventures in Beaumont, Tex., were on the lookout for opportunities in the

southeast section of the state. They learned of Sorrell's plight, investigated Waldman's operation closely and concluded that, with renewed managerial energy and an infusion of cash, the plant had a bright future.

But, says Combs, "No money was available from private sources. Banks just weren't lending." Their buyout plan, envisioned to be a \$750,000 project, was stonewalled.

The partners contacted the Texas Economic Development Commission's Department of Community Affairs. They began working with Rosa Rios Valdez, a financial consultant who specializes in small business revitalization projects in areas such as southeast Texas that are struggling with high unemployment. Rios Valdez helped put together a public-private financing package that enabled Combs and Walker to acquire Sorrell on Sept. 1, 1986.

With Rios Valdez acting as broker, Combs and Walker got a small loan from First National Bank of Navasota. Rios Valdez also arranged for a \$290,000 state economic development grant that did not go directly to Combs

and Walker, but to the city of Navasota. The city, in turn, lent the money to Combs and Walker at a very favorable rate. When the partners start repaying the loan in 1988, the money will go directly into the city's coffers.

Today Waldman's plant, renamed Sorrell of Texas, has been rejuvenated. "Since acquiring the plant, we've doubled sales, added about 10 employees and landed some good major accounts," Combs says. "But this plant would be closed today if it weren't for the help of the Economic Development Commission."

David Cantu faced a similar problem when he tried to expand his family-owned firm, Valley Wholesale Meats Company, Inc., deep in South Texas, where times are hard and unemployment is high. Cantu, who processes Mexican-style foods, was running two small operations in separate cities and wanted to combine them in a new facility in Alamo. "We wanted to expand, but we couldn't," Cantu says. "There wasn't a bank ready to lend us money."

Cantu, like Combs and Walker, went

Marc Leepson is a Woodbridge, Va., free-lance writer.

Keeping Business At Home

to the state's economic development people and ultimately was able to arrange financing. The community affairs department helped Cantu get some SBA money as well as some private financing. Cantu also received an economic development grant funneled through the city of Alamo. The private-public financing package enabled Cantu to go ahead with what he calls his family's "dream project."

Valley Wholesale Meat's new 10,000-square-foot facility opened September 1. Since then Cantu has expanded his product line and hired 15 employees. Within the next two years, he expects to be running two shifts of about 100 workers each.

Stories similar to Cantu's and Combs and Walker's are being played out across the country as state economic development offices come up with innovative programs to help local businesses stay in business. Not long ago most state economic development programs focused on recruiting businesses from other states and from overseas. Re-

cruitment still is a high priority in many states. But in the last few years emphasis has shifted to two other areas of economic development: retention of existing businesses and incubation, the process of fostering new ones.

"In the last several years states have been paying more attention to retaining, expanding and incubating new firms inside the states," says Miles Friedman, executive director of the National Association of State Development Agencies in Washington. Retention and incubation are "the coming areas," Friedman says, because states such as Texas have realized that helping to keep existing businesses in business and starting new ones are "healthy for long-term stability."

One state that has concentrated heavily on incubation and retention is Connecticut. "About 80 percent of what we do is business retention," says Don Goncalves of the Connecticut Department of Economic Development. Connecticut offers several programs to help entrepreneurs start or expand

businesses. The Connecticut Product Development Corporation (CPDC), for example, is a state-funded venture capital effort that makes grants available to entrepreneurs, primarily of the high tech variety. "If the product is a success, the state gets a royalty," Goncalves says. "If the product flops, the firm owes nothing to the state and does not suffer a liability. It won't lose credit with the banks. And the program also helps the state keep the business."

Connecticut was also the first state in the nation to set up urban enterprise zones when it earmarked six inner city neighborhoods as targets for special investment incentives in 1972. The state offers corporate and property tax abatements, job training grants and access to a revolving loan fund. Those incentives are available to businesses that either start or expand in one of the zones. Since 1982, Connecticut has funded 627 projects generating some \$150 million in private sector investment in urban enterprise zones. The state has helped "everything from office developments to a pizza shop that hired a couple of new people," Goncalves says.

One of Connecticut's most successful projects has been Science Park, a high tech, light industrial park in a complex of buildings that formerly belonged to Olin Corporation in the Dixwell/New-Whallville section of New Haven. Science Park, backed by funds from the state, city and Yale University, which is in New Haven, opened in 1982. It is home to more than 100 companies, most small and young. The nonprofit Science Park Development Corporation uses some of its revenues for job training programs that are designed to rehabilitate the surrounding neighborhood.

Further west, Indiana has concentrated its economic development efforts in recent years on retaining businesses. "In the last 18 months, we've emphasized helping existing industries," says Jeff Shaw, a senior account executive with the Indiana Department of Commerce. The state concentrates on three areas: infrastructure, job training/retraining and capital assistance. Indiana has an array of development programs aimed at assisting new and existing businesses, including a state-supported agency that helps firms find venture capital and another that specializes in working with scientific and technological businesses.

A grant from Indiana was crucial in Dwyer Instruments' decision to build a

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new manufacturing facility in Wolcott last year. Dwyer makes industrial controls and indicators such as pressure switches and temperature gauges. The company has facilities in Illinois, Michigan, California and Puerto Rico, in addition to its five locations in Indiana (including its base in Michigan City). Dwyer ran into a snag when it decided to put a plant in Wolcott because an existing water line was not capable of feeding the proposed building's sprinkler system. "The town was anxious to supply a new line, but had no money to do it," says Dwyer President Ed Clark.

That's when the state Department of Commerce stepped in. The department worked out a plan in which the town of Wolcott received a grant to put in a water line. Dwyer Instruments will reimburse the town through payment of a low-interest loan. The state's help "was quite crucial. If we couldn't have put in the sprinkler system we couldn't have put the in plant," Clark says. What's more, "the money ends up being paid back to the community rather than to the state or federal government."

Indiana's Department of Commerce arranged a similarly successful financing package for Sunbeam Plastics in Evansville. Sunbeam, which makes plastic caps and bottles, was about to purchase a printing machine and a lining machine two years ago. The company easily could have afforded the \$200,000 required for the machines, but decided to take advantage of a state incentive grant that will put the \$200,000, plus interest, into the coffers of Vanderburgh County, where Evansville is located.

The state granted Vanderburgh County the \$200,000, and the county lent the money to Sunbeam at low interest. The arrangement was "no great savings," says Larry Drennan, Sunbeam's vice president of finance. "But we saw this as an opportunity to help the county."

Another innovative business retention and incubation program is run by the Maryland Department of Economic and Community Development. The Green Phone, a statewide, toll-free, 24-hour-a-day operation, was set up "to get our message out that there are programs on the state level for business retention, expansion and start-up," says Deputy Secretary Hans Mayer.

The highly publicized Green Phone began operating in August, 1984; it now receives more than 10,000 calls annually. State economic development special-



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SPECIAL REPORT

Keeping Business At Home

ists who answer the calls provide prospective entrepreneurs and established business people with many services, ranging from filling out a business plan to setting up multimillion-dollar loans. A recent survey indicated that the system is working well. "We found that of those who requested business plans, 50 percent actually started a business," Mayer says.

The assistance line also helped Lynn Beattie, vice president and part owner of ATI Racing Transmissions in Baltimore County. ATI, which manufactures drive-line components for professional drag-racing cars, was about to enlarge its plant. But the company ran into trouble when county officials ruled that ATI's facility was on a flood plain and expansion would be illegal.

Beattie decided to forgo the addition and began looking for a new facility to buy. But before she gave up, Beattie told state officials about her problem. "They gave me the name of an engineering firm that had done this kind of thing once before," Beattie says. Daft, McCune & Walker (in Towson) surveyed the ATI site and discovered that, in fact, it was not on a flood plain. "That saved me moving," Beattie says.

In the state of Washington, economic development officials aim for a balance among retention, incubation and recruitment programs. But retention and incubation efforts are hamstrung somewhat by Washington's constitution, which prevents the state from lending to private firms.

Nevertheless, Washington does run a number of retention and incubation programs and works closely with a network of development organizations representing all 39 counties in the Pacific Northwest's most populous state. In the last two years, state economic development programs have worked on retention and incubation efforts with 444 firms, representing 18,200 jobs and \$1 billion in assets.

Other states, Florida and Texas, for example, remain heavily involved in trying to lure businesses from beyond their state lines. "We look for companies in an expansion mode and try to get them to expand to Florida," says Jim Hosler of the Florida Division of Economic Development's Bureau of Economic Analysis. "We're very active in all areas," says Bob Ochoa of the Texas Economic Development Commission. "We have a strong effort to market the state and its strengths and to

get the message out that the state is 'open for business.'"

Boston Whaler, Inc., of Rockland, Mass., is one of many companies that recently expanded to Florida. Boston Whaler, a wholly owned subsidiary of CML Group of Acton, Mass., manufactures fiberglass sport fishing and pleasure boats. The company began growing rapidly in the early '80s and two years ago started looking for a place to put a manufacturing facility. "We contacted several states to discuss potential sites," says Doug Gibson, Boston Whaler's manager of corporate facilities. "We found that Florida provided what would best suit our needs."

Gibson got results not long after he contacted the Florida Division of Economic Development. "They canvassed the state looking for locations," Gibson says. "It took only about four weeks to find what we were looking for." In this case the state found an existing boat building plant, located on water with adequate space for expansion.

Florida economic development officials, working in cooperation with Volusia County, helped pave the way for Boston Whaler's purchase of the facility in Edgewater, 20 miles south of Daytona Beach. It ultimately will employ 300 workers. Among other things, the county sent a delegation that included the superintendent of schools and the president of the chamber of commerce to Massachusetts to tell Boston Whaler employees and spouses what the county had to offer.

Cardinal Industries of Columbus, Ohio, is set to break ground on a manufacturing facility in South Dallas, Tex., June 1. Cardinal, the nation's fourth largest residential builder and top producer of modular housing systems, decided to open its sixth and largest plant in Texas to serve the Texas-Arkansas-Louisiana region. "We looked at various market areas," says Charles Alexander, Cardinal's director of field operations for new facilities. "We know Texas is going to come back [economically] and be a good market for us."

Cardinal was helped significantly in its move into Texas by the state Economic Development Commission. "They opened many, many doors, which helped us meet the right people—real estate brokers, developers, bankers," Alexander says. ■

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Making America More Competitive

Chamber leaders went to the White House to confer with President Reagan on trade issues. They discussed the President's six-point

program aimed at enhancing American competitiveness in world markets. From left, Chamber Vice Chairman O.H. Delchamps, Chamber

Chairman Edward Donley, President Reagan, Chamber President Richard L. Leshner.



PHOTO: MARY ANNE TACKELMAN-MINER—THE WHITE HOUSE

Last April the U.S. Chamber of Commerce, entering its 75th year, issued a challenge: "Let's Sharpen America's Competitive Edge."

Today, Chamber Chairman Edward Donley notes with satisfaction, "the word competitiveness is on everyone's lips. The Reagan administration has made competitiveness a cornerstone of its agenda, as has Congress."

Donley says the country has heard a clear message: "We are in a bind, and it is imperative that all Americans realize it and rise to the challenge. We must look anew at the policies that affect our competitiveness in markets both here and overseas. We must have policies that aid and abet our economic competitiveness—to give ourselves a level playing field with our competitors."

And the Chamber, the world's largest business federation, has been active in other areas of critical importance to American business.

The organization was deeply involved in bringing about enactment of the historic tax-reform bill that significantly reduced tax rates. The Chamber, after lobbying to make the bill more acceptable (for exam-

ple, insisting on more favorable depreciation schedules than those in any other congressional proposal), supported the final compromise because of the extent to which it lowered marginal rates on earnings.

The bill provides increased expensing allowances and new health insurance deductions for small business owners, but it also increased taxes on investment, research and development and on capital gains. Chairman Donley called those provisions "a major step backwards in our quest for increased competitiveness."

The Chamber will work with Congress to make corrections in the tax bill this year.

Meanwhile, the Chamber is heavily involved as Congress labors to fashion an omnibus trade bill. The Chamber supports constructive trade legislation and aggressive implementation of existing law to provide incentives for U.S. business to export, remove export disincentives and combat unfair trade practices of other countries without becoming protectionist or denying U.S. consumers access to fairly traded goods and services.

The Chamber also supports measures to improve U.S. worker education and re-

training, promote science and technology, protect intellectual property rights overseas, reform antitrust restrictions and further rein in the federal deficit through reduced government spending.

"The really interesting challenge of this year," says Chamber President Richard L. Leshner, "is capitalizing on what seems to be a bipartisan major agreement that the time has come to work together to make America more competitive."

But Leshner warns that some interests, particularly trade unions, are trying to use this legislative momentum to advance their own packages of quite different proposals—"every one of which would make us less competitive in world markets."

Besides retaliatory tariffs and special-industry protections, these include plant closing restrictions, mandated employee benefits such as parental leave, an increased minimum wage and compulsory union membership in the construction industry.

Many legislative issues besides trade have occupied Chamber staff and members. Last year, members' views were presented at 64 congressional hearings and in 139 legislative letters. Staffers alone made

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Federation members played key roles at last year's White House Conference on Small Business. This session was addressed by then-Senate Majority Leader Robert Dole (R-Kans.).

Attorney General Edwin Meese III spoke at an "Association Insiders" breakfast at the Chamber and answered questions from the floor.

The White House Conference on Small Business

*Celebrating
"The Age of The Entrepreneur"*



PHOTO: T. MICHAEL REZA

more than 2,500 personal contacts with senators, representatives and congressional staffs.

The Chamber's legislative scorecard for the year showed 36 wins, 14 partial victories and 21 losses on important business issues on which the organization communicated its views to the 99th Congress.

Many of the legislative and regulatory victories were achieved with the help of 87 issue strategy groups. These business coalitions coordinate the resources of a wide range of member businesses.

Legislative activities also included meetings at which top members of the executive and legislative branches briefed members on major issues, publication of an annual resource book detailing major business issues, periodic updates in the *Congressional Action* newsletter and special reports to inform members of the Chamber's nationwide member grassroots network.

The Chamber's Briefing Center held sessions for more than 275 member associations, chambers, corporations and other groups to help them better understand the issues and more effectively influence the decisions being made on national policies.

The Office of Corporate Relations held one-on-one meetings to get input of many member companies on Chamber activities and legislative initiatives.

The Chamber's economic policy division works directly with Congress and government officials in pursuit of business aims. It supports the Chamber's lobbying activity through research, development of economic forecasts, detailed tax analysis and publications for members and legislators.

Last year it published a study of federal budget policies and lobbied successfully to keep a major tax increase from being used to solve the deficit crisis. The Chamber was an early and enthusiastic support-

er of the Gramm-Rudman-Hollings deficit reduction act and continues to lead the effort to strengthen the measure and to head off efforts to weaken it.

The division's new quarterly *Journal of Economic Growth* will now be published in French as well as in English and Spanish and is already making an impact with its message of free-market approaches as the solution to economic problems.

The economic-policy staff has provided econometric simulations to lawmakers to demonstrate the effects of various economic proposals.

The division also is studying financial market deregulation, the issue of "non-

The Chamber supports [efforts] to provide incentives for U.S. business to export and to combat unfair trade practices of other countries without... denying U.S. consumers access to fairly traded goods and services.

bank banks" and the 1930s' Glass-Steagall Act barring banks from dealing in securities. Through its economic policy unit, the Chamber has been instrumental in bringing the financial community together to discuss these questions.

Economic researchers also are studying the potential impact of trade protectionism, international debt levels and proposals for imposing interest ceilings on credit-card transactions.



In the field of food and agriculture, the Chamber worked last year to achieve uniformity in pesticide regulation, to establish a secondary market for farm mortgages, implement patent-term restoration for farm chemicals and prevent greater government intrusion into agricultural markets.

In environmental matters, the Chamber helped forestall unneeded acid rain bills and reduce regulatory burdens on business in clean water and Superfund bills.

In the energy area, the Chamber helped win hydroelectric reforms, aiding millions of electricity consumers, and is working for natural gas deregulation, reform of nuclear licensing and Arctic and outer-continental-shelf exploration to assure energy security.

In community resources, the Chamber supported Highway Trust Fund road building and repair programs free of pork barrel schemes and endorsed privatization of selected public housing.

In 1986, the Chamber set up a new Service Industries Council to represent the needs and goals of this expanding sector.

In other areas, Chamber members and staff are working to keep organized crime control statutes focused on attacking organized crime and not on ordinary cases of commercial fraud, to see that due process is used in attacking fraud in government contracting and to encourage more contracting-out of government services.

On the liability front, the Chamber has been instrumental in developing a consensus federal product liability bill and is leading efforts to promote tort reform nationwide.

In labor and employee benefits, the Chamber succeeded in preventing passage of several antibusiness proposals. They included proposals that would have mandated parental leave, prevented contractors from having both union and non-union operations, imposed greater obligations on employers for notifying workers of

Last year the Chamber received many distinguished business and world leaders at its Washington headquarters. At left, Senate Minority Leader Robert Dole

addressed a Chamber rally opposing legislation outlawing construction company "double breasting"; President Corazon Aquino (center) of the Philippines was one of several

heads of state to visit the Chamber; and Secretary of Commerce Malcolm Baldrige spoke at the International Forum. (Chamber Vice President William T. Archey is in background.)



alleged risks in the work place and established a system for paying employees on the basis of comparable worth as determined by government formula.

The Chamber also played a key role in preserving major private sector employee benefits provisions in the tax reform act, helped its airline and railroad members facilitate union decertification before the National Mediation Board and continued to seek modifications in the Davis-Bacon Act, which effectively requires payment of union wage scales on federally aided construction projects.

The Chamber's international department counted several victories in addition to its continued push for an open and fair trading system that rewards initiative and increases productivity. Among the wins were the reauthorization of the Export-Import Bank, funding of a government "war chest" to help foreign purchasers pay for U.S. goods and elimination of technology export restrictions not justified on security grounds, including those on oil and gas equipment exports to the Soviet Union.

Abroad, 56 American Chambers and 14 bilateral business councils worked to improve trade and economic relations. At home, foreign trade missions and numerous world leaders consulted with Chamber leaders. Among the distinguished visitors to Chamber headquarters were Philippine President Corazon Aquino, Mexican President Miguel de la Madrid, Uruguayan President Julio Maria Sanguinetti, Pakistan Prime Minister Mohammed Khan Junejo and Egyptian Prime Minister Attef Sedky.

As always, the Chamber fought the battles of small business. The staff and volunteer leadership played a major role in the 1986 White House Conference on Small Business. The Chamber is now spearheading efforts to implement the conference's 60 recommendations by turning them into legislative and regulatory realities.

The Chamber's Small Business Center

worked for retention of an independent Small Business Administration, repeal of the IRS requirement to keep auto record logs, adoption of the 1986 Risk Retention Act and restrictions on postal rate subsidies for Section 501(c)(3) organizations that compete with taxpaying small businesses.

Much of the Chamber's success in mobilizing support for business issues comes from its 1,200 association members and 2,700 state and local chambers of commerce. These groups collectively represent hundreds of thousands of businesses in every corner of the nation.

The Chamber provides information and

"The really interesting challenge of this year is capitalizing on what seems to be a bipartisan major agreement that the time has come to work together to make America more competitive."

management assistance to help chambers and associations be more effective in their own right. The Chamber last year issued several new publications, including a *Small Business Strategy Handbook* to encourage the development of small business programs in local chambers.

Linchpins of this federation structure are the Chamber's regional offices, working with members throughout the country on legislative and political action.

One of the federation's most effective programs is its Congressional Action Network. This operation is made up of local committees of Chamber members who follow federal legislation with the assistance of U.S. Chamber reports and newsletters. This network can bring powerful member grass-roots influence to bear on Congress to increase the Chamber's effectiveness in shaping the course of legislation on behalf of business.

The Chamber's 75th anniversary celebration in 1987 is highlighted by a special salute to the more than 200 businesses, chambers of commerce and associations that were founding members of the U.S. Chamber of Commerce and are still active in the federation.

Last year, in its continuing effort to inform members and the public, the Chamber expanded its communications program. *Nation's Business*, the nation's largest-circulation business magazine with 862,000 subscribers, also celebrates its 75th anniversary in 1987. The magazine provides its readers, primarily owners and managers of small and mid-sized businesses, with the information they need to do their jobs more effectively.

In so doing, *Nation's Business* provides guidance on specific aspects of management, profiling successful entrepreneurs who describe their winning techniques, reporting on Washington legislative and regulatory developments that affect business and offering personal advice in such areas as taxes, investments and health.

As part of its continuing expansion and improvement program, the magazine is significantly increasing the number of newsstands where it can be purchased.

The Business Advocate, an issue-oriented monthly tabloid for members, analyzes and updates legislative and regulatory developments in Washington. Its circulation is more than 200,000.

The broadcast division's far-flung activi-

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Legislative activities also included meetings at which top members of the executive and legislative branches briefed members on major issues, publication of an annual resource book detailing major business issues, periodic updates in the *Congressional Action* newsletter and special reports to inform members of the Chamber's nationwide member grassroots network.

The Chamber's Briefing Center held sessions for more than 275 member associations, chambers, corporations and other groups to help them better understand the issues and more effectively influence the decisions being made on national policies.

The Office of Corporate Relations held one-on-one meetings to get input of many member companies on Chamber activities and legislative initiatives.

The Chamber's economic policy division works directly with Congress and government officials in pursuit of business aims. It supports the Chamber's lobbying activity through research, development of economic forecasts, detailed tax analysis and publications for members and legislators.

Last year it published a study of federal budget policies and lobbied successfully to keep a major tax increase from being used to solve the deficit crisis. The Chamber was an early and enthusiastic support-

er of the Gramm-Rudman-Hollings deficit reduction act and continues to lead the effort to strengthen the measure and to head off efforts to weaken it.

The division's new quarterly *Journal of Economic Growth* will now be published in French as well as in English and Spanish and is already making an impact with its message of free-market approaches as the solution to economic problems.

The economic-policy staff has provided econometric simulations to lawmakers to demonstrate the effects of various economic proposals.

The division also is studying financial market deregulation, the issue of "non-

The Chamber supports [efforts] to provide incentives for U.S. business to export and to combat unfair trade practices of other countries without... denying U.S. consumers access to fairly traded goods and services.

bank banks" and the 1930s' Glass-Steagall Act barring banks from dealing in securities. Through its economic policy unit, the Chamber has been instrumental in bringing the financial community together to discuss these questions.

Economic researchers also are studying the potential impact of trade protectionism, international debt levels and proposals for imposing interest ceilings on credit-card transactions.



In the field of food and agriculture, the Chamber worked last year to achieve uniformity in pesticide regulation, to establish a secondary market for farm mortgages, implement patent-term restoration for farm chemicals and prevent greater government intrusion into agricultural markets.

In environmental matters, the Chamber helped forestall unneeded acid rain bills and reduce regulatory burdens on business in clean water and Superfund bills.

In the energy area, the Chamber helped win hydroelectric reforms, aiding millions of electricity consumers, and is working for natural gas deregulation, reform of nuclear licensing and Arctic and outer-continental-shelf exploration to assure energy security.

In community resources, the Chamber supported Highway Trust Fund road building and repair programs free of pork barrel schemes and endorsed privatization of selected public housing.

In 1986, the Chamber set up a new Service Industries Council to represent the needs and goals of this expanding sector.

In other areas, Chamber members and staff are working to keep organized crime control statutes focused on attacking organized crime and not on ordinary cases of commercial fraud, to see that due process is used in attacking fraud in government contracting and to encourage more contracting-out of government services.

On the liability front, the Chamber has been instrumental in developing a consensus federal product liability bill and is leading efforts to promote tort reform nationwide.

In labor and employee benefits, the Chamber succeeded in preventing passage of several antibusiness proposals. They included proposals that would have mandated parental leave, prevented contractors from having both union and non-union operations, imposed greater obligations on employers for notifying workers of

Last year the Chamber received many distinguished business and world leaders at its Washington headquarters. At left, Senate Minority Leader Robert Dole

addressed a Chamber rally opposing legislation outlawing construction company "double breasting"; President Corazon Aquino (center) of the Philippines was one of several

heads of state to visit the Chamber; and Secretary of Commerce Malcolm Baldrige spoke at the International Forum. (Chamber Vice President William T. Archey is in background.)



alleged risks in the work place and established a system for paying employees on the basis of comparable worth as determined by government formula.

The Chamber also played a key role in preserving major private sector employee benefits provisions in the tax reform act, helped its airline and railroad members facilitate union decertification before the National Mediation Board and continued to seek modifications in the Davis-Bacon Act, which effectively requires payment of union wage scales on federally aided construction projects.

The Chamber's international department counted several victories in addition to its continued push for an open and fair trading system that rewards initiative and increases productivity. Among the wins were the reauthorization of the Export-Import Bank, funding of a government "war chest" to help foreign purchasers pay for U.S. goods and elimination of technology export restrictions not justified on security grounds, including those on oil and gas equipment exports to the Soviet Union.

Abroad, 56 American Chambers and 14 bilateral business councils worked to improve trade and economic relations. At home, foreign trade missions and numerous world leaders consulted with Chamber leaders. Among the distinguished visitors to Chamber headquarters were Philippine President Corazon Aquino, Mexican President Miguel de la Madrid, Uruguayan President Julio Maria Sanguinetti, Pakistan Prime Minister Mohammed Khan Junejo and Egyptian Prime Minister Attef Sedky.

As always, the Chamber fought the battles of small business. The staff and volunteer leadership played a major role in the 1986 White House Conference on Small Business. The Chamber is now spearheading efforts to implement the conference's 60 recommendations by turning them into legislative and regulatory realities.

The Chamber's Small Business Center

worked for retention of an independent Small Business Administration, repeal of the IRS requirement to keep auto record logs, adoption of the 1986 Risk Retention Act and restrictions on postal rate subsidies for Section 501(c)(3) organizations that compete with taxpaying small businesses.

Much of the Chamber's success in mobilizing support for business issues comes from its 1,200 association members and 2,700 state and local chambers of commerce. These groups collectively represent hundreds of thousands of businesses in every corner of the nation.

The Chamber provides information and

"The really interesting challenge of this year is capitalizing on what seems to be a bipartisan major agreement that the time has come to work together to make America more competitive."

management assistance to help chambers and associations be more effective in their own right. The Chamber last year issued several new publications, including a *Small Business Strategy Handbook* to encourage the development of small business programs in local chambers.

Linchpins of this federation structure are the Chamber's regional offices, working with members throughout the country on legislative and political action.

One of the federation's most effective programs is its Congressional Action Network. This operation is made up of local committees of Chamber members who follow federal legislation with the assistance of U.S. Chamber reports and newsletters. This network can bring powerful member grass-roots influence to bear on Congress to increase the Chamber's effectiveness in shaping the course of legislation on behalf of business.

The Chamber's 75th anniversary celebration in 1987 is highlighted by a special salute to the more than 200 businesses, chambers of commerce and associations that were founding members of the U.S. Chamber of Commerce and are still active in the federation.

Last year, in its continuing effort to inform members and the public, the Chamber expanded its communications program. *Nation's Business*, the nation's largest-circulation business magazine with 862,000 subscribers, also celebrates its 75th anniversary in 1987. The magazine provides its readers, primarily owners and managers of small and mid-sized businesses, with the information they need to do their jobs more effectively.

In so doing, *Nation's Business* provides guidance on specific aspects of management, profiling successful entrepreneurs who describe their winning techniques, reporting on Washington legislative and regulatory developments that affect business and offering personal advice in such areas as taxes, investments and health.

As part of its continuing expansion and improvement program, the magazine is significantly increasing the number of newsstands where it can be purchased.

The Business Advocate, an issue-oriented monthly tabloid for members, analyzes and updates legislative and regulatory developments in Washington. Its circulation is more than 200,000.

The broadcast division's far-flung activi-

1987 ANNUAL REPORT


**Making America
More Competitive**

A teleconference panel on last year's tax reform bill included House Ways and Means Chairman Dan Rostenkowski (D-Ill.), left, and Sen. Bob Packwood (R-Ore.), right.

House Majority Leader Thomas S. Foley (D-Wash.) spoke to the Chamber's Board of Directors on legislative activity in the new Congress.



PHOTO: T. MICHAEL RIZZ



ties include "It's Your Business," a nationally syndicated program on which business and government leaders debate public policy issues in the news. The telecast, which originates from the Chamber's extensive television studios in Washington, appears on more than 160 commercial stations. Chamber President Leshner is a permanent member of the pro-business team on the program.

This flagship program of Chamber broadcasting celebrates its 400th broadcast this year. It will be taped, appropriately, at the Chamber's 75th annual meeting.

"Nation's Business Today," a two-hour morning business newscast, moved last year to ESPN, the country's largest cable television network, available in more than 41 million households. The business news program expanded its staff; redesigned its sets, music and graphics; and introduced new features, such as the current series of "CEO Closeup" interviews and foreign reports—and saw advertising revenues go up 35 percent. Carl Grant, the Chamber's group vice president for communications, and Meryl Comer are co-anchors of "Nation's Business Today."

The Chamber's broadcast center also launched "Nation's Business Updates," brief business news reports during the early evening on ESPN.

BizNet, the Chamber's telecommunications production service, produced the fourth annual live videoconference on Japan-U.S. trade. This year's event focused on the GATT round and linked top-level business leaders and government officials in Tokyo, Washington and Geneva.

America's newsmakers are featured each morning on the Chamber's "Ask Washington" program, a nationwide call-in show airing on 30 broadcast stations and the Learning Channel cable network.

Biznet programing was honored with a record five broadcast awards last year.

Last year also saw new achievements for the Spirit of Enterprise Campaign, the Chamber's first major fund-raising effort in nearly 75 years. The campaign added many new investors to its efforts to equip the U.S. Chamber for tomorrow's public policy debates. In all, more than 500 corporations have invested in the future of effective business activity via the Spirit of Enterprise Campaign. The Campaign secured several notable gifts of equipment and services to move the Chamber significantly closer to its goals of updating and expanding its telecommunications and computer capabilities.

These contributions included equipment

Chamber members "are in the vanguard of this critically important effort to . . . address the economic problems that confront our nation. Working together, we possess tremendous influence and can make a great difference."

and services for a Lexis/Nexis on-line data retrieval system that puts up-to-the-minute facts at the fingertips of Chamber issues experts. Other contributions are an in-depth study of the Chamber's computer needs that will serve as the blueprint for the Chamber's expanded computer system and lightweight BetaCam newsgathering equipment that will allow the Chamber to increase its television programing and provide better coverage of business news.

The Campaign also moved a giant step closer to its goal of creating a more modern and efficient place for business and government leaders to meet when it welcomed five new sponsors to its Named Gift program. Each sponsor chose a room in the Chamber's historic headquarters building across Lafayette Park from the White House. Each room will be modernized and dedicated in the sponsoring company's name.

Last year, in its 10th year of operation, the Chamber's political action committee, the National Chamber Alliance for Politics (NCAP), continued to be a major force in shaping the Congress. Of the 210 candidates the Chamber endorsed for the House and Senate, 174 took seats in the 100th Congress.

Although the 1986 elections held some surprises, business will still be represented on both sides of Capitol Hill. Since its inception in 1978, NCAP has endorsed candidates in 742 races and has been successful in 543 of those contests for a 73 percent margin of success.

On the other hand, the AFL-CIO endorsed 248 representatives who won reelection to Congress last year—30 more than a majority—as well as 20 Senators who were elected or re-elected. Chamber Vice Chairman O.H. Delchamps says this means "the unions will have a lot of chits to call in."

He says "labor unions have sought and continue to seek a turnaround in their sagging fortunes through government action. They demand laws and regulations that will enhance their power and prestige at the expense of business."

Labor-backed legislation that would hobble America's economic competitiveness but which only failed by small margins last year will be back this year with new support, Delchamps warns, "and now we really have our work cut out for us. We will frequently be called upon to mount all-

Van Smith (left) of Ontario Corporation was interviewed on "CEO Closeup" by Carl Grant, Chamber group vice president and co-anchor of "Nation's Business Today."

President Reagan spoke more than once at the Chamber building last year. It's a short trip from the White House—just across Lafayette Park.

U.S. Budget Director James C. Miller III appeared on an "Ask Washington" telecast in a Chamber studio and answered questions phoned in by listeners.



PHOTO: FRANCES BORCHARDT



PHOTO: T. MICHAEL REZA



PHOTO: T. MICHAEL REZA

out lobbying efforts such as we have rarely been required to do in recent years."

Chairman Donley agrees but says challenges are not new to the Chamber nor to the United States.

Donley says the nation's "marvelous free enterprise system," which has created nearly 30 million jobs in the past 15 years—about seven million since 1983—"is the best thing we have going for us."

He says Chamber members "are in the vanguard of this critically important effort to preserve our free enterprise system and address the economic problems that confront our nation. Working together, we possess tremendous influence and can make a great difference."

As the struggle goes on to make the country competitive in world markets, Donley says, "I look forward to the future with

great optimism. Yes, we face great challenges, but it is adversity that defines our character. The American people will rise to meet these challenges with the same resolve and courage they have displayed through our long and glorious history."

And, the Chamber chairman adds, he has no doubt that "we will preserve our legacy of freedom and opportunity for future generations." ■

A Winning Season

The U.S. Chamber's affiliated organizations scored impressive achievements last year in legal action, public policy research, international development and education.

The National Chamber Litigation Center was shown again to be one of the nation's most effective advocates of business interests. In its 10 years, NCLC has participated in more than 200 precedent-setting legal decisions. Last year it prevailed in 16 major cases.

The most significant rulings last year established that:

- An employer cannot automatically be held liable for a supervisor's sexual harassment of an employee.
- A privately negotiated agreement can waive disputed claims under the Age Discrimination in Employment Act.
- A city government cannot pressure a company to negotiate with a union as a condition to renewing a franchise.
- Industry intervenors who protected their interests under the Clean Water Act should not have to pay attorneys' fees to a prevailing environmental group.

A second affiliate of the Chamber, the

National Chamber Foundation, also 10 years old, continues to focus on public policy. It analyzes and clarifies complex issues and provides educational tools to improve understanding of economic and business climates.

NCF conducts issue conferences and forums, publishes a quarterly economic journal and sponsors scholarly research. Among research projects completed last year were studies of catastrophic health care, health care cost management, effective corporate tax rates, private alternatives to Social Security for today's young workers and a proposed partnership for African development.

Study projects for the coming year include analysis of free market incentives to promote Third World economic growth, an inquiry into ways of providing more effective protection for intellectual property rights, a bicentennial examination of the economic portions of the U.S. Constitution, a study of the incidence, causes and records of overpayments in unemployment compensation, strategies for health care cost management and analysis of structural adjustments in the textile industry.

The Center for Leadership Development, the education division of the foundation, last year conducted training for a record 2,359 chamber and association managers at management institutes on seven university campuses plus another 77 at institutes in Costa Rica and India. In addition, CLD stages four-day development programs in Washington for business executives.

The youngest Chamber affiliate is the Center for International Private Enterprise. It was formed three years ago under congressional mandate as the business representative in the National Endowment for Democracy. CIPE last year sponsored 17 programs of business-oriented democratic development in 13 developing nations.

In the Western hemisphere, it funded programs run by the Argentine Federation of Business and Professional Women, the Mexican Employers' Confederation and the Caribbean Association of Commerce and Industry.

In its brief history, CIPE has sponsored a total of 48 programs promoting economic growth and democratic development in 20 countries worldwide.



75 Years Young

Political debates about enhancing U.S. competitiveness in world markets may seem like a recent phenomenon, but international competitiveness has been a central issue for the U.S. Chamber of Commerce ever since the organization was founded 75 years ago.

In 1912, U.S. exports finally surpassed those of Great Britain to crown this country as the world's largest exporter. Even so, the Chamber's first president, Harry A. Wheeler, felt obliged to issue a warning to U.S. businesses that has a very contemporary sound:

"We must struggle harder than we are now struggling to maintain a balance of trade in our favor," Wheeler said.

Wheeler added that there was a danger that overzealous government regulation could "so decrease the efficiency of [U.S. business] . . . in the world's markets as to destroy our ability to compete abroad."

The U.S. Chamber was born in April, 1912, in Washington, D.C., at an extraordinary meeting of business people. There were 700 delegates present that morning in the Grand Hall of the Willard Hotel.

They had come from every state in the union, from Alaska, Puerto Rico and the Philippines and from American chambers of commerce in Paris, Brussels and Constantinople.

They had been called together by Secretary of Commerce Charles Nagel at the behest of President William Howard Taft. The President had proposed a national business conference in a message to Congress in December, and in March Secretary Nagel had issued the call for a meeting on April 22.

The Washington press called the resulting assembly of business people "the most representative of the kind ever held in this country."

President Taft welcomed the beribboned delegates who stood to applaud him at the opening session, and then he told them what he expected of them:

"We want your assistance in carrying on the government in reference to those matters that affect the business and the business welfare of the country," he said.

He went on: "We do not wish to limit your discretion. We wish that your advice should be as free and unrestricted as possible. But we need your assistance and we ask for it."

Then the President turned the podium



PHOTO: PACIFIC-BETTMAN ARCHIVE

President Taft told the business people, gathered in Washington from every state in the union, "We need your assistance, and we ask for it."

over to Nagel. The Secretary of Commerce urged the delegates to establish "a national chamber of commerce that will represent the entire country actively and intelligently."

Work on creating the structure of a new organization started at once.

By the end of the following day the U.S. Chamber had been founded, with Wheeler, vice president of the Union Trust Company of Chicago and president of the Chicago Association of Commerce, as its president; John Joy Edson of Washington, as treasurer, and three vice presidents from widely separated regions—J.N. Teal from Portland, Ore.; A.G. Chandler from Atlanta, Ga.; and A.B. Farquhar from York, Pa.

The Chamber soon was in the thick of public affairs. President Wheeler would tell a San Francisco business audience the first year that "questions without number press upon each other for consideration." Wheeler said overly restrictive government antitrust regulation continued to be a matter of great concern.

"In the field of our domestic commerce," he said, "the vital question that must find solution in the next regular ses-

sion of Congress relates to the manner in which our industrial combinations engaged in interstate trade shall be regulated and controlled by the federal government.

"Drastic regulation not only affects the ability of our industrial corporations to compete with each other in the home market, but . . . is apt to so decrease the efficiency of these corporations in competition with foreign producers of like articles in the world's market as to destroy our ability to compete abroad."

He urged American business people to work harder to export their products, and his words sounded like a lot of management advice being given today:

"We assume that we can send a salesman to Japan or China or South America on a flying trip as we would send him into Montana or Colorado," Wheeler said.

"Never was there a greater fallacy."

"The creditable representative of our industries in foreign markets must speak the language, know the customs and live with the people if he expects to enjoy patronage in proportion to that given to other nations."

Besides trade promotion and antitrust reform, many other issues that concerned the young Chamber still have great relevance today. Among them were taxes and revenue, agriculture, banking and currency, immigration, federal reserve operations, labor and wage legislation, civil service reform, mineral development and education.

Of course, some Chamber issues have lost their urgency with the passing years. Among questions that concerned the Chamber during that first year, for example, were Mississippi River flood control, infant mortality research and agreement on a standard barrel size for apples. But a surprising number of the early questions remain pertinent today.

"We still have many of those issues in common," reflects Richard L. Leshner, president of the Chamber since 1975, "because there are certain fundamentals that you are always dealing with. You can boil business down to revenue and expenses, and there are always a lot of government expenses or government-imposed expenses that affect business."

"If we were to meet 75 years from now to consider the business issues, you could count on certain things being repeated, like trade and global competition."

"Economics and the marketplace are not pure science. You don't produce a single correct solution. It's a continuing process of compromise as conditions change."

Direct Line

Answers to questions about renting cross-country skis, winning government contracts and paying higher wages to food servers.

Cross-Country Market

I am considering opening a cross-country ski rental business in the Ludington, Mich., area. How should I go about conducting market research?

D.W., Grand Rapids, Mich.

The Michigan state and Grand Rapids area chambers of commerce are good places to start. Their respective addresses are 200 North Washington Square, Suite 400, Lansing, Mich. 48933 and 17 Fountain N.W., Grand Rapids, Mich. 49503.

For more information on the industry—and your competition—write Cross Country Ski Areas of America, RD 2 Bolton Rd., Winchester, N.H. 03451.

Red Tape Scissors

I think that my company has a good chance of winning a federal government contract, but I am befuddled somewhat by the required paper work. Where can I get help?

D.H., Sarasota, Fla.

Sonalysts, Inc., publishes a kit called *Applying for Government Contracts—A Starter Kit for Small Businesses and Entrepreneurs*. This is an easy-to-follow guide to preparing more than 50 forms commonly required of prospective contractors. The \$49.95 kit also tells how to be added to bidders lists, prepare proposals and gain security clearances.

For details, write Sonalysts, Inc., 215 Parkway North, P.O. Box 280, Waterford, Conn. 06395.

Waiters' Wages

I read that Sen. Edward M. Kennedy (D-Mass.) and others want to increase the minimum wage to \$4.65 an hour. Does this mean that I will have to pay my waiters and waitresses more?

M.L., Maplewood, N.J.

Bills introduced recently by Kennedy and Rep. Augustus F. Hawkins (D-Calif.) do not differentiate between employees who don't receive tips and those who earn most of their living from gratuities.

According to Jay Harvey of the Senate Labor subcommittee, the so-called tip credit will be addressed following



ILLUSTRATION: WILLIAM COULTER

hearings on the legislation. It is possible that the committee could decide to require payment of the minimum wage to all employees, he says.

Nonprofit Liability

Recently, "Direct Line" told a reader from Vermont that a dozen states—his not among them—have ruled that officers of nonprofit organizations are immune from liability. Which are those 12 states? Has any action taken place on federal legislation you cited that would encourage more states to adopt this policy?

W.B., Evanston, Ill.

Thirteen states now protect officers of nonprofit entities from liability: Virginia, Colorado, Connecticut, Hawaii, Indiana, Louisiana, Maryland, New Hampshire, New Jersey, Ohio, Pennsylvania, Tennessee and North Dakota.

No action has taken place yet on legislation by Rep. John Porter (R-Ill.) that would penalize states that fail to adopt such a liability exclusion.

Incorporation Pitfalls

I am considering incorporation of my maid service. Are there any tax disadvantages?

C.H., Lavonia, Mich.

There are many potential tax disadvantages. For example, corporations can face double taxation when they are merged, reorganized or liquidated.

Incorporating can be the best or the worst thing a business can do depending upon specifics of the operation, so

retain a reputable local tax attorney and proceed with great care.

Targeting Trainers

I want to promote my product to personnel involved in in-plant training. How can I identify companies that maintain training departments?

G.B., Gurnee, Ill.

Contact the American Society for Personnel Administration, 606 N. Washington St., Alexandria, Va. 22314 or the American Society for Training and Development, 1630 Duke St., Box 1443, Alexandria, Va., 22313.

Deficit Twins

I have heard President Reagan and some members of Congress say that the U.S. trade deficit cannot be reduced substantially unless the federal budget deficit is narrowed. What is the relationship between the two?

Y.B., Waterloo, Iowa.

Economists who believe these deficits are linked theorize that massive federal spending, which must be financed by borrowing, results in high real interest rates.

These high rates prompt foreigners to invest in America, which drives up the value of the dollar relative to other currencies. And an "overvalued" dollar causes U.S. goods to cost more in foreign countries while foreign goods cost less in America.

However, other economists deny that current budget deficits are the root of the U.S. trade imbalance. They say the cause of the trade deficit is a strong American economy at a time of low worldwide demand for goods and services due to such things as high foreign tax rates.

How To Ask

Have a business-related question?

Write to: Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space. All replies must be given in this column.

Making It

Bright colors, bright ideas, bright prospects—for Russian boxes, Croakies (huh?) and Stetros (say what?).

When Only The Best Will Do

Twenty years ago, before Richard Nixon warmed relations with the U.S.S.R., Lucy Maxym took on the tough task of importing handpainted lacquer boxes from Russia and walked off with an exclusive contract. She still is the only American importer of this increasingly popular (and expensive) art.

She already had plenty of experience at importing—although it was gained the hard way. Her brother was living in, and exporting from, Thailand (then Siam) in the late '40s. He sent a gift of some locally made jewelry that she and all her friends admired.

That gift grew eventually into Siamese Imports, Inc., which now concentrates on imports of fine lacquerware boxes from Thailand, Kashmir and Russia, each different in style. The hardest to get started was the Russian.

When Maxym first decided, with her sister, to import the Siamese jewelry, she had no experience. But she approached the matter in a characteristically direct way. The sisters bought a sample case, filled it up and made an appointment with the jewelry buyer at a New York department store. "Well, she [the buyer] looked at these things, and the prices we had put on them, and she flipped." Flipped enough, in fact, to place an order for \$5,000—a lot of money in 1950.

With the jewelry, Maxym established her style: She kept the company small (working out of a bedroom in her Long Island home), designed much of the jewelry and, when cheap imitations started coming out of Hong Kong, stopped importing it altogether rather than compromise the quality in order to compete.

The lesson she took from that experience was to control the output of the work, which she did with the Kashmir lacquer boxes. When she first saw the beautifully painted papier-mâché boxes, "they were badly made inside," Maxym says.

She once again took an active role in the design and the materials, and told the Indian manager that their arrange-

Lucy Maxym grew a successful international trading business from a simple gift of jewelry. Her most spectacular accomplishment is the

exclusive contract to import handpainted Russian lacquer boxes, each of which can take up to a year to finish.



PHOTO: SIAMESE IMPORTS COMPANY, INC.



PHOTO: TED HARRON

ment had to be exclusive. It has remained so.

Success confirmed Maxym's opinion: "If you can find something that is very fine, made by hand and has integrity to it, and you can market it at a good price, you've really got something." Siamese Imports now has 750 workers in Kashmir producing lacquerware and many in Thailand as well.

Maxym applied the same principles to other products her company imports from Italy, Denmark—"all over the world."

All this was accomplished in spite of the fact that business abroad was then, and to some degree remains today, a

man's domain. "It was not easy," she says. "As a matter of fact, I used to sign my letters 'L. Maxym.' Foreign businessmen wouldn't deal with you if they knew you were a woman; they didn't think a woman running a business was a serious thing."

Then came the Russian boxes. Maxym saw one in 1966 at a friend's apartment and "zeroed in on it." Each box is handpainted, usually depicting a scene from a Russian fairy tale. Every detail is meticulous, including individualized faces on the figures. A single box can take as long as a year or more to complete.

In typically direct fashion, Maxym went to the Russian embassy and found out that the Russians were looking for someone to import the work into America. She knew it would sell.

Once again, she wanted exclusive rights and to influence the designs. She

"We're just not
as flexible as we
used to be."
—Some Banks.

"You get
a resounding yes."
—The Security Force
in Visalia.



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Making It

When Only The Best Will Do

went on a crash course to learn Russian, and her preparation paid off in the contract she still holds.

As the boxes became popular, she eventually wrote a book about the stories on them, called *Russian Lacquer, Legends and Fairy Tales*—printing it herself when a publisher told her he thought it would sell a respectable 3,000 copies. "I said to myself, if I can't sell that many over the phone, the book isn't worth that much." She eventually financed the book herself, found her own printer and saw it through seven printings—to date selling more than 100,000 copies.

Other books have followed, one of which chronicles the history and art of the Russian icon from the 10th to the 20th centuries and was done in close collaboration with Soviet specialists.

Now, Maxym says, "I am only circumscribed by the amount of merchandise I can get." Although she takes 70 percent of the output, it is never enough. The whole process is strictly controlled, including the training of the 250-300 painters in each of the four villages where the lacquer boxes are made. "I ask for certain artists to do certain things, and it's sometimes years before I see what I've ordered. It has resulted in some pretty incredible works of art being made available for American collectors," she says.

Maxym has kept Siamese Imports small. That was because she wanted the business to run on her terms—out of New York and close to her home in Manhassat.

She is a respected member of the import-export community—at the Soviets' request, a member of the U.S.-U.S.S.R. Trade and Economic Council, a group of government and business leaders dedicated to improving trade between the two countries, most of whose members are from the largest 1,000 corporations in the United States.

Nor is Maxym restricting herself to imports. She handles silver pieces made by U.S. artisans, and is working on a reciprocal venture with the Soviets to sell American items in the U.S.S.R.

Siamese Imports is privately held, and Maxym doesn't share its figures, except to say it "does very well." She finances every aspect of the business herself.

Her advice to those who are interested in trade: "The opportunities are limited only by your imagination. There are people out there who want to buy quality—as long as it has integrity."

—Ripley Hotch

Circle No. 16 on Reader Service Card.

Partners John Krisik (standing) and John Simms of Life-Link International, Inc. of Jackson Hole, Wyo., started out marketing life-saving devices—ski poles that convert

to snow probes and collapsible shovels to dig out avalanche victims. But their real catapult to success was the Croakie, a clever little strap that keeps one's eyeglasses in place.

Banking On A "Croakie"

Putting its home in the spectacular ski resort of Jackson Hole, Wyo., also has put Life-Link International, Inc., a manufacturer of high quality sporting goods, in touch with its market.

The company was founded in 1978 by John Krisik, a former professional skateboarder from California, and John Simms, a onetime Colorado ski patrolman and local fishing guide. The pair met when Krisik booked a fishing trip through Simms.

Simms told Krisik about two outdoor products he had manufactured and sold on a limited basis: a pair of ski poles that could be screwed together to form a probe for locating avalanche victims and a backpacking shovel designed to free such victims from their snowy traps.

Krisik liked the ideas and offered capital to expand the venture. With this influx of money and enthusiasm, the operation immediately shifted from Simms' home to a 10,000-square-foot warehouse on the outskirts of Jackson Hole.

Through improved production capabilities and enthusiastic word-of-mouth endorsements, the products caught on among expedition-class adventurers around the world. Life-Link, which grossed \$42,000 in its first year, expected revenues to reach \$4 million for the fiscal year ending last month.

The firm soon added staff and new products, and, in 1980, it obtained the rights to manufacture and market a deceptively simple item that really put the young company on the map.

Four years earlier, a tinkering local ski patrolman named Robbie Fuller had cut up pieces of the neoprene material used in skin divers' wet suits and then rolled the thin strips into tubes. These simple devices were excellent one-size-fits-all straps for keeping eyeglasses in place during vigorous activities and were dubbed "croakies," a nonsense word ski patrolmen use instead of the catchall "thingamajig."

Fuller's croakie was an instant local hit, and it caught the attention of Life-Link President Krisik, now 36, and Vice President Simms, 49. They secured the rights and quickly began turning out Croakies in a variety of bright colors and trendy print designs.

Due to the nation's ongoing obses-



PHOTO: E. MICHAEL KEZA



PHOTO: LIFE-LINK INTERNATIONAL, INC.

sion with fitness, Croakies were soon embraced by everyone from bespectacled weekend athletes to Kurt Rambis of the Los Angeles Lakers (who orders customized Croakies to match his uniforms). They are also popular among non-sporting types as colorful fashion accessories for sunglasses.

"In six years," says Simms, "we have sold more than 2.5 million Croakies," which retail today for around \$4 each. Croakie sales through 1986 account for about 65 percent of Life-Link's gross business to date.

The firm's 65 employees and 110 salespeople produce and promote numerous novelty items manufactured

from the same material used to make Croakies. It has not rested on its neoprene, however. It also carries skiing and fishing accessories and two lines of outdoor clothing.

A handful of headaches each year stem from the remote location and sometimes severe weather in Jackson Hole, but modern transportation generally saves the day. "We're the biggest UPS shipper in Wyoming," notes Simms. "If it wasn't for them, we couldn't operate here."

Meanwhile, Life-Link provides Jackson Hole with one of the area's few opportunities for solid year-round employment, and Jackson Hole provides Life-Link with a youthful population of enthusiastic employees who already use its products.

Jackson Hole also provides Simms and Krisik with an enjoyable sporting lifestyle that often translates directly into new products. Skis stuffed in an office washroom and river rafts scattered around the parking lot attest to the fact that, despite its size, the company has not deviated from its roots.

—Howard Rothman

Making It

PEOPLE

Inventor Chris Rusk, his son Troy and wife Susan re-enact the birth of Stetros pencil grippers in their Crawfordsville, Ind., kitchen. Daughter Stephanie (lower photo)

A Gripping Invention

Little Troy Rusk, looking forward to starting first grade in his hometown of Crawfordsville, Ind., sat at the kitchen table struggling with his pencil as he practiced printing the alphabet. His small hands lacked the dexterity to hold the slender pencil steady.

"You're holding that pencil like a steak knife," his father said. "Here, let's put a glob of this around the pencil." Reaching into his wife's mixing bowl, Chris Rusk grabbed a wad of cookie dough, wrapped it around the pencil shaft near the bottom and made indentions for his son's fingers and thumbs.

The next day, when he found his son again using the makeshift gripper, says Rusk, "I got to thinking—maybe every kid should have one."

Soon, every kid may.

In 1985, four years after the cookie dough experiment, Rusk established Rusko Writing Company, Inc., in Crawfordsville and began making little pencil grippers out of plastic. He called them Stetros after his daughter Stephanie, 6, and son Troy, now 10.

Last year, Rusk sold 10 million Stetros, grossing \$500,000. The plastic devices have holes in the middle and slide down over a regular-sized pencil. They retail for about 39 cents each.

Teachers love Stetros, says Rusk, 30. "They are absolutely wonderful ... magic," writes a teacher when ordering. Says a parent: "My daughter brought one home, and she just glowed as she showed me how it helped her hold a pencil to write."

"Next year we will sell around 50 million of them," Rusk says. "More than half the nation's school suppliers now include them in their catalogs." Stetros are also hot-selling items in chain stores such as Wal-Mart and Eckerd Drugs.

He adds: "One of the big cereal companies may be putting Stetros in cereal boxes as a premium."

Rusk is somewhat overwhelmed by what he has wrought. "I was just trying to make things easier for my son," he says. "I didn't have in mind inventing something."

"I didn't know anything about marketing. I was a contractor building confinement shelters for cattle and hogs. I waited four years [before manufactur-



PHOTO: JOHN STANLEY—BLACK STAR



ing Stetros] because I didn't have a lot of money, and I had no experience. I would go to the library at night and read books about selling, marketing and business techniques."

He also applied for a patent, which "took nearly two years and cost me \$4,000," Rusk says.

"I was afraid someone would steal my idea," he continues. "But I didn't know what to do once I got the patent."

An Indiana school supplier did. He advised Rusk to go to the National Educational Distributors and Suppliers convention in Santa Ana, Calif., in April, 1985.

"Let's all go and make a fun trip of

demonstrates how the devices work: They slide onto a standard-sized pencil, giving small hands better control over their writing instruments.

it," Rusk told his family. He made 10 prototypes and borrowed as much money as he could.

But he still lacked sufficient funds for a display booth. So Rusk and family approached convention-goers one-on-one.

The Rusks even hovered near the restrooms—figuring everyone would eventually pass by there.

"Quite a few teachers said they would order a hundred," Rusk recalls. "But our break came when a purchasing agent from a national school supply house said she would like to order several thousand."

Rusk already had invested \$10,000 in the little pencil grippers, money he raised by remortgaging his small house and borrowing against his truck, tractor and tools.

Now he needed more money to build a mold and buy supplies for mass producing Stetros. His parents agreed to cosign a \$20,000 loan.

By midsummer, Rusk had his mold. He rented a small office and lined up a plastics manufacturer in nearby Noblesville to produce Stetros from the mold, using federally approved polyvinyl chloride.

Says Rusk: "I ate the first one to make sure it didn't hurt anybody."

The bulk of Rusk's early sales were to teachers and school officials in Indiana, whom he could reach by car or phone.

After a national mail promotion, he got orders from school suppliers nationwide, as well as offers from sales representatives to include Stetros among their wares.

Today, Rusk's general contracting business has been pushed aside. He, wife Susan and four other people work full time at Rusko promoting, marketing and shipping Stetros. Manufacturing is subcontracted out to several Midwest firms that together are now producing a million Stetros per week, in six colors.

"We've put a lot of the money we've made back into the business," Rusk says, "but I did get a new car."

As for future profits, Rusk says, "I'm going to record some songs. I've been writing them for a long time, and now I can afford to make some recordings. I've got one called 'I'm Overworked and Underpaid.'"

Of course, Rusk wrote that song in leaner days—before that stroke of genius in the kitchen when he squished cookie dough around Troy's pencil.

—Del Marth

Personal Management

To Your Health

By Steve Franzmeier

The Art Of Vacationing

"My work is my recreation. I don't need a vacation."

That may be true for some, according to Dr. Frank Ubel, medical director of 3M Company in St. Paul.

But, he cautions, someone who has been skipping vacations should also consider this:

Even people for whom work is ecstasy would benefit from vacationing, and their families would benefit from vacationing.

Not every executive needs vacations as treatment for stress-related symptoms like headaches and high blood pressure. But all executives need vacations for their abundant psychic benefits, says Ubel.

Vacations, he says, "break stilted thought and behavior patterns." When you return from a vacation fit and rested, you are more creative and productive.

Edward Heath, professor of recreation and parks at Texas A&M University, says, "When you take a vacation, you leave your troubles behind and recharge your batteries."

Brian Steffey, who teaches graduate-level human resource management at the University of Minnesota, believes that vacations are needed now more than ever because of "sensory overload."

"Computers produce more data to deal with," says Steffey, "so one approaches and occasionally exceeds stress overload more often."

Nevertheless, a number of business owners and managers skimp on their vacations.

One such executive is Ed Lowe, president of Edward Lowe Industries, Inc., in Cassopolis, Mich., the country's largest producer of cat box filler. Lowe, who originated the cat litter industry and has more than half the \$400 million market, insists he gets all the relax-

Your yearly vacation not only offers escape from work pressures, but, if properly approached, can also enhance your performance when you return to the office.

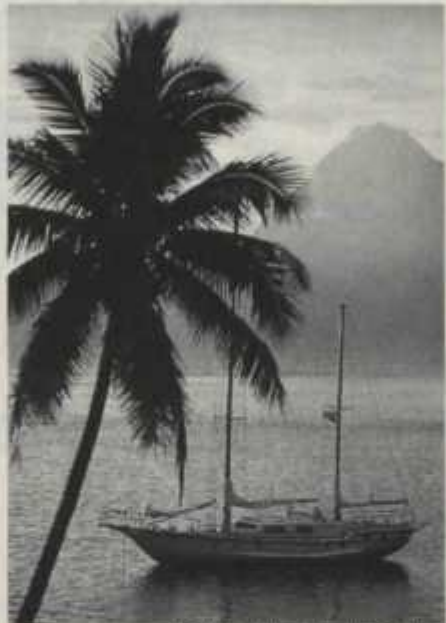


PHOTO: PAUL M. WILSON—SOUTHERN STOCK PHOTOS

ation he needs from one-day "working vacations" traveling with his wife or from the "pondering time" he takes while traveling on business.

Nicholas M. DiBari, former marketing vice president for Comdisco, Inc., a Rosemont, Ill., company that markets and leases computer equipment, recalls one of his vacation attempts: "One year my wife and I took a vacation to St. Martin, and I wound up taking a plane back after four days because I was so keyed up over this or that deal."

DiBari ranked first in the United States for five years in *Sales & Marketing Management* magazine's annual survey of marketing executives' compensation. From 1976 to 1983, he earned \$7 million in commissions.

But the stress got to him. In 1984, he retired at 38, cashed in his frequent flyer bonuses and got five free trips around the world.

If he had taken the vacations due him sooner, he might have decided to continue working. "I never learned to relax," he admits.

After he retired, DiBari discovered a T-shirt that summed up 17 years of

work. The legend was: "There is no finish line."

"All those years, every time I got near the finish line, I pushed it farther back," says DiBari. "The reason, I guess, was that I loved the race itself."

But there's something about loving the race itself that ultimately works to one's disadvantage. The years of youth and good health may all pass before you have time to do those things about which you often say: "I sure wish I had time to..."

There's some proof that not only taking but *enjoying* a vacation indicates good mental health. That was one of the findings of a 30-year study of Harvard University graduates by George Vaillant, director of the study of adult development at Dartmouth College Medical School.

Vaillant concluded that only people who felt secure and self-confident (signs of mental health) took and enjoyed vacations. Those who felt insecure might take vacations, he observed, but they would be unlikely to enjoy them.

So, vacationing might be a smart move—a way to signal peers and superiors that you're "all together" after all.

The mere act of taking time off, however, does not in itself a vacation make. To fully benefit from a vacation, you must know the Art of Vacationing. A number of mental health authorities assert that the Art includes the following:

1. Don't use vacations to meet obligations, such as visits to relatives.

2. Do not follow a schedule.

3. Take time to adjust from "full speed ahead" to "all engines off." According to Ralph Hirschowitz, a psychiatrist at the Levinson Institute in Boston, "The first few days of vacation usually require a kind of passivity merely to build yourself up for more active interests."

4. Pursue active interests instead of stretching out on the sand, doing your imitation of a beached whale. Do not equate vacations with idleness. If vacationing is done correctly, you experience a heightened sense of awareness of life around you that inspires you to pursue life actively.

5. Do what's fun for you. Don't

Steve Franzmeier is a free-lance writer living in Elko, Minn.

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To Your Health

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The first principle of vacationing, say authorities, is: Don't do anything unless you feel like it.

Says Professor Heath: "A vacation is not a necessary evil. [It] should be a valuable force for good. You should like your life a little better afterward."

Don't, whatever you do, call the of-

fice the moment of arrival at your vacation site and leave the phone number where you can be reached.

And don't try to sneak in a little work on "the side."

If you practice the Art of Vacationing, you will more fully enjoy the time between vacations. And your work, more likely, really will be your greatest pleasure. ■

It's Your Money

By Ray Brady

Bank Introduces Indexed Investing

It was a typically sedate corporate dining room in mid-Manhattan, but the announcement that came out of it hit Wall Street with the impact of a bomb. As members of the financial press scribbled notes and television cameras rolled, an official of Chase Manhattan Bank, the nation's third largest, announced a dramatically new kind of investment offering—one that is indexed to go up and down with the stock market.

The Market Investment Index, as it's called, works this way: You make a minimum deposit of at least \$1,000, which goes into a kind of certificate of deposit. Under one of three available plans, your return on your investment could be as high as 75 percent of the gain in the Standard & Poor Composite Price Index—or nothing if it drops (although you get your principal back). For example, if the S&P went up 10 percent, investors in the new market fund could get a return of 7.5 percent. (Under other available options, you get a lesser return if the S&P index rises, but you do get some minimum interest if that index drops.) What's more, the Federal Deposit Insurance Corporation insures an account up to \$100,000.

"It captures the best characteristics of an indexed mutual fund and a bank certificate of deposit," says Robert R. Douglass, chairman of Chase, in announcing the new investment. "It gives the customer the chance to profit from an increase in the market without [risking] the principal."

While some Wall Streeters wonder if the plan conflicts with federal law sepa-

Wall Streeter Michael Metz predicts that indexed investing will gain momentum as investors choose a sure thing over the traditional risks of the stock market.



PHOTO: RANDY MARRER

rating commercial banks from the securities business (a point still being discussed), the announcement also sent many investors scurrying to the stock tables, wondering if this might not be the time for the prudent to look either into the Chase plan or into one of Wall Street's indexed mutual funds.

As nearly all readers know, the stock market has been on a real rampage through most of this year. But what about the professional managers of Wall Street, who charge hefty sums to invest one's money?

I must admit that a few managers I know have admirable track records, leading their clients to gains of 50 percent or more so far this year. But others have considerably less favorable records during one of the biggest bull markets ever. It took off so fast and so unexpectedly that they couldn't get their investment acts together.

What's more, the new tax law has turned Wall Street into a whole new ball game. As the difference between long-term and short-term capital gains shrinks, the market stands to become even more volatile—with more swings, up and down, as investors no longer wait for capital gains but simply trade, trade, trade.

So what about looking at those funds that, like the Chase plan, simply tie their results to a broad measure of the market? For example, the S&P 500 measures the performance of 500 stocks on the New York Stock Exchange; professionals consider it a more accurate gauge than the better-known Dow Jones Industrial Average, which measures just 30 stocks.

The largest and oldest of the index funds—the Vanguard Index Trust—buys virtually all of the stocks on the S&P index. No attempt is made to manage the portfolio through fundamental or technical analysis.

Some Wall Streeters have criticized the index funds. As one professional puts it, "Why pay a firm to simply go through a mechanical process, buying whatever is in the index?" Michael Metz of Oppenheimer & Company, the giant Wall Street firm, takes a surprisingly different view. Though he's in the business of advising on individual stocks, Metz says: "The index funds theoretically have the potential to put us out of business. But I still think they're a pretty good idea."

The reason? "You don't have to make decisions about what individual stocks to buy," Metz points out. "And you don't have to worry about what your timing should be. Besides, the funds minimize transaction costs."

A good point: The cost to the investor in one of the funds is low, since expenses tend to be low, and management advisory fees are modest. After all, the fund's managers are only buying stocks in an index. Not only that, the index funds hardly need to zip in and out of the market, so commission costs and operating expenses are low.

The funds themselves come in a variety of shapes and sizes. The Colonial Small Index Trust is linked to an index made up of the smallest 20 percent of companies on the New York Stock Exchange. Another—Continental Heritage's S&P 100 Growth Fund—closely matches a smaller index of 100 stocks on the New York exchange.

The whole idea, it should be noted, isn't perfect. In a slumping market, the index fund strategy may be worse than

Ray Brady is the business correspondent for CBS News.

It's Your Money

that of the canny investor who knows how to get out of the market before the roof falls in.

Some of the stock-picking variety of Wall Streeters also note that a number of funds have failed to keep up with the S&P 500. Still, compare it with the record of the Vanguard Index Trust: Over the past 10 years, the S&P 500 has racked up an annual rate of return of

13.7 percent on the investors' money; the Vanguard has not been far behind, with an annual rate of 13.3 percent.

"Listen," says Michael Metz, "most professional money managers don't match the averages. This means that the index funds—along with offshoots like Chase Manhattan's Market Investment Index—may pick up more and more converts as time goes on." ■

For Your Tax File

By Gerald W. Padwe, C.P.A.

Making Intangibles Real Tax Advantages

You decide to acquire the assets of another company—let's call it Target. You negotiate a good deal with Target's owner and agree upon a cash price of \$5 million for the assets.

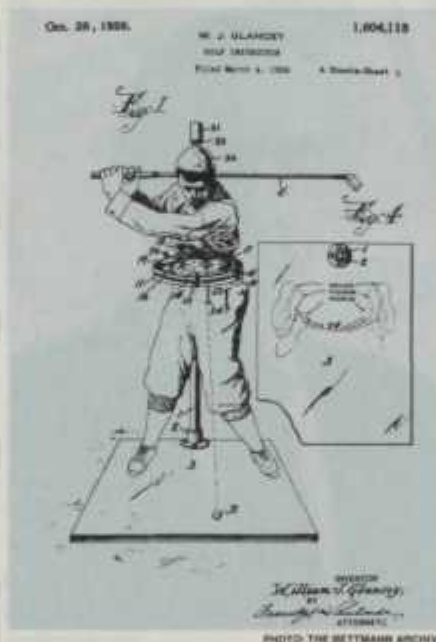
When title passes to your company, your important tax question is: "What is my tax cost for each item I have purchased?" The more of your purchase price that can be properly allocated to depreciable property, the higher deductions you will have in the next several years. Conversely, the more the Internal Revenue Service makes you allocate to a nondeductible intangible asset (such as good will), the happier your friendly revenue agent is going to be.

In allocating such a "basket" purchase price, the general rule is simple: Each asset is allocated an amount proportionate to its fair market value. If, for instance, the independently appraised values of the assets on Target's balance sheet totaled \$5 million, the allocation would be easy.

However, in the heated acquisition atmosphere of the past few years, chances are your purchase price includes some premium over the total values for the independently appraised tangible assets. It then becomes necessary to put a value on intangible assets as well.

Even so, it will be rare for separately appraised assets to total exactly the amount you paid. Assume the appraised total of Target's tangible assets (cash, receivables, inventory, fixed as-

The new tax law will encourage purchasers of businesses to look for intangible assets that can be amortized, such as this 1926 patent for a "golf instructor."



sets) is \$3.7 million, and the total for intangibles (largely good will) is \$800,000. This comes to \$4.5 million.

Until recently the "extra" \$500,000 would have been reallocated among all the assets—tangible and intangible—in proportion to their percentage of the \$4.5 million value identified with them, so that the excess purchase price would also produce some future tax benefits. The 1986 tax law, though, takes a harsher point of view.

To the extent a premium is paid over the aggregate value of identifiable assets, the excess is *all* allocated to good will and is neither deductible nor amortizable on the tax return. This change in the rules provides a strong incentive for purchasers to look for "off the books" intangible assets that may be amortizable for tax purposes.

Perhaps one reason Target was so attractive to you was because of its

outstanding management, and you specify in the contract that the purchase price is contingent on keeping that management. In that case, you may want to provide attractive employment contracts to former management to continue working for you. Those contracts will have value and, to the extent they expire at the end of a given number of years, that value may be amortized over those years.

On the other hand, you may not want prior management to continue, but you may not wish them competing against you either. If you and the seller agree that a reasonable part of the purchase price depends on the noncompete agreement in a separately stated covenant, that amount may be amortized over the stated time period in the covenant.

Other types of intangible assets that may be amortizable would include patents, trademarks, trade names, a favorable leasehold, etc.

This may give the appraisal industry a field day. Nevertheless, significant tax dollars could be at stake, and for asset purchasers, "seek the intangible" may be the name of a profitable game.

A Phoenix Rises From IRA Ashes

You and your spouse have an adjusted gross income over \$50,000 a year. Your company provides you with generous pension benefits through a qualified pension plan. You each have been squirreling away \$2,000 in your IRAs every year, thus sheltering some of your income from taxes.

Suddenly, thanks to the 1986 tax law and your company's pension plan, neither you nor your spouse will have the benefit of the previously tax deductible IRA contribution.

There is a substitute: the 401(k) plan. Like old IRAs, 401(k) plans permit current deduction of amounts paid into your account (in this case, by withholding some amount each pay period from your salary check). And, as with both old and new IRAs, earnings on your 401(k) account are not taxed until withdrawn during your retirement years.

Companies not presently offering a 401(k) plan may want to consider it as a relatively low cost fringe benefit. Employee deferrals can make up for the loss of IRA deductions. Additional savings over the \$2,000 IRA limit will enable employees to more actively build for retirement. A 401(k) plan may permit borrowing against deferrals, which is still not permissible in IRAs. ■

Gerald W. Padwe is national director-tax practice for Touche Ross & Co. For Your Tax File is an information service for readers. See tax and legal advisers on specific cases.

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Where I Stand

Results of this monthly poll on important public policy issues are forwarded to top government officials in the White House and Congress.

1. Restrict Plant Closings And Layoffs?

Proposed legislation before Congress would require businesses to give at least 90 days' notice before laying off 50 or more workers. It also would require employers to negotiate with unions or other employee representatives on alternatives to layoffs. Labor unions supporting the legislation say it would help protect their members' jobs. Business groups argue that the proposal would prevent them from taking steps necessary for the well-being—and even the survival—of their companies. Should Congress pass legislation restricting plant closings and layoffs?

2. Raise Gas Tax To Narrow Deficit?

Democrats in Congress are looking for ways to raise about \$18 billion in new taxes to help meet the 1988 target for cutting the budget deficit. Rep. Dan Rostenkowski (D-Ill.) has suggested raising the federal excise tax on gasoline—currently 9 cents a gallon. Each penny of such a tax would produce about \$900 million in revenue. A gas-tax increase is also being offered as a way to conserve fuel by reducing the demand. Opponents say the deficit target can be met through spending cuts and that new taxes would hamper economic growth. Should Congress raise the gasoline excise tax to help meet the 1988 budget target?

3. Tax Imported Oil To Boost U.S. Industry?

A recent Energy Department study concluded that the United States will be importing half of its oil by the 1990s, posing a "clear risk" for national security unless steps are taken to boost domestic production. Some oil-state lawmakers favor a tax of \$5-\$10 a barrel on imported oil. Supporters say the tax would boost the sagging U.S. oil industry, promote conservation and produce billions for the Treasury. Opponents maintain that an oil import tax would lead to a general increase in prices and invite retaliation that would hurt American competitiveness in world markets. Should Congress impose an oil import tax?

Verdicts On March Poll

Here is how readers responded to the questions in the March issue's Where I Stand poll.

	Yes	No	Undecided
Should Congress eliminate joint and several liability?	82%	12%	6%
Should Congress end insurance companies' antitrust exemption?	57%	32%	11%
Should the federal government require all employers to provide health-care coverage?	13%	84%	3%



Send in your vote on the inserted postpaid card. Explanations of your views on any of these questions are also welcome as letters to the Editor, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062.

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COMMENTARY

Congressional Alert

ISSUE

Product Liability

BUSINESS IMPACT

The business community needs a federal product liability law that establishes uniform standards of liability, abolishes joint and several liability for noneconomic damages and raises the standard of proof required to award punitive damages. Such a law would help to ease the continuing liability insurance crisis.

BUSINESS MESSAGE

Members of the House and Senate: Support product liability reform legislation that would establish uniform standards of liability and return product liability law to a fault-based system. These changes would help to ensure that product liability insurance is available and affordable.

Health Care Coverage

Legislation that would require all employers to pay for health care coverage for employees and require employees to accept such coverage would increase labor costs and reduce job creation. At a time of intense international competition and continuing unemployment, increased labor costs would hurt employers and employees alike.

Members of the House and Senate: Oppose legislation requiring employers to provide health care coverage. Such a requirement would increase labor costs and impede job creation. The voluntary private-sector employee benefits system allows employees to choose the benefits they prefer and employers to provide the benefits they can afford.

Occupational Hazard Notification

Congress is considering legislation that would create a massive, duplicative bureaucracy within the Department of Health and Human Services to identify, notify and monitor current and former workers exposed to occupational health hazards. Businesses handling any hazardous substances would face increased health and safety, insurance and litigation costs.

Members of the House and Senate: Oppose occupational hazard notification legislation. Do not create another unnecessary bureaucracy and add to the excessive regulation, litigation and employer expenses that result from current requirements. Such legislation could lead to federally mandated health benefits and federalized workers' compensation.

Polygraphs

Employers would lose a valuable tool if federal legislation is passed to prohibit the use of polygraphs by business. Polygraphs assist in screening job applicants, deterring workplace crime and controlling costs. State-level regulation can assure that polygraphs are used responsibly by businesses.

Members of the House and Senate: Oppose legislation banning the use of polygraphs. Businesses need this essential tool in selecting employees and controlling costs. States can ensure the responsible use of polygraphs by licensing examiners and issuing guidelines for administering examinations.

Grove City

The 1984 Supreme Court decision *Grove City v. Bell* limited the application of certain civil rights statutes, as they apply to educational institutions, to specific activities rather than to institutions as a whole. Currently, Congress is considering legislation that not only would reverse that decision but also could expand the application of those statutes to cover many small businesses not currently affected by them.

Members of the House and Senate: Carefully consider legislation that is offered as a reversal of the 1984 Supreme Court *Grove City* decision but that could greatly expand the application of certain civil rights statutes to cover many small businesses not currently affected by them. Support a simple reversal of the decision, but oppose broad expansion of federal statutes under the guise of a simple reversal.

Line-Item Veto

If the President had the authority to veto spending proposals individually, he would have more opportunities for reduction of inefficient government programs. Currently the President is empowered to veto only an entire appropriations bill, which can contain funding for hundreds of programs.

Members of the House and Senate: Support presidential line-item veto authority. The line-item veto would promote fiscal discipline and reduce wasteful government spending. This procedural change would contribute to balancing the federal budget.

A Personal Best

By William Hoffer

Harry Whittelsey, president of Executone/Long Island, Inc., does not shy away from battle. Last year he pitted his aging catamaran and ramshackle crew against new, expensive craft navigated by members of the New York Yacht Club and finished seventh out of about 150 entrants in the annual Around Long Island Race.

The 44-year-old Whittelsey's approach to business is the same: He thrives on competition, racing against himself as well as others. His telecommunications business survives and prospers despite the unprecedented competition in the post-divestiture world.

"We do a profitable \$5 million a year," says Whittelsey. "We could do a lot more volume, but that would not necessarily raise profits." Success has come, he believes, because he quit listening to manufacturers and started listening to customers.

"As far as manufacturers are concerned, this is a technology-driven market," says Whittelsey. "They have been coming out with products at a phenomenal rate, jamming them down the world's throat and saying, 'Hey, this is what you need.' But truthfully, they don't know a thing about what people really need. I love technology, but technology has been the tail wagging the dog. We have to figure out how it fits into the office."

Among the high tech products Executone/Long Island sells, primarily to business customers, are:

- Key systems—multiline telephone equipment with features such as call forwarding, speed dialing and call hold programmed into the sets.
- Private branch exchange (PBX) equipment—on-site electronic switches that route voice and data within a building or series of buildings.
- Centrex systems for the smaller user (2-4 lines), offering options previously available only with the costlier PBX.
- Local area networks (LANs), which simultaneously transmit voice and data over phone lines.

A walk through Executone's office and warehouse facility in South Hauppauge reveals Whittelsey's method of determining which new products will fit

Says Harry Whittelsey, president of Executone/Long Island, Inc.: "We have to figure out how [technology] fits into the office and whether it's really practical."



PHOTO: WAYNE GORCE

well into today's business world: A receptionist tinkers with an answering machine that combines the capabilities of a private switchboard, a word processor and a computer. Operations Manager Ron Spellman receives messages via a voice mail system. Eileen Shindler, vice president in charge of customer service, explores a local area network designed to create a massive data bank.

Harry Whittelsey offers his customers only products that he can back with fast, competent service, and only those that he knows are the best.

Says Whittelsey: "How can we know if there are bugs in the system, how can we know how often it breaks down, how can we know if it is easy to use and service, how can we know all the little quirks, if we don't use it ourselves first?" He says he offers his customers only the product lines that he knows personally are the best—and, further, only those products that he knows he can back with fast, competent service.

Whittelsey's drive and independence reflect an entrepreneurial bent that his wife says is "probably genetic." (Frances Cerra Whittelsey resigned three years ago as a consumer reporter for the *New York Times* to join the family business.)

The family has been entrepreneurial for generations. Harry Whittelsey says: "There has been a Whittelsey Piano Company, a Whittelsey Publishing Company and a Whittelsey Automobile Company. There was a Whittelsey biplane and a Whittelsey ashtray." His grandfather established H. Newton Whittelsey, Inc., a naval architecture firm, and Harry's father, Souther Whittelsey, eventually took over the business.

"My father took me on calls when I was 8 or 10 years old," Harry recalls. "I'd go with him to the Boston Shipyard or the Bureau of Ships in Washington. I had a good time. I can remember times when business was good and times when business was not good—it was no big deal. So when I started working for others I realized that I was not the type to spend the next 10 years of my life climbing the corporate ladder."

After college Whittelsey took off for Honduras and Peru, where he ran the Central and South American branches of one of the family businesses, Tropical Hardwoods Corporation. Five years later, when he returned to the States, he signed on as a salesman for American Photocopy Equipment Company, but he knew it was only a matter of time before he launched his own venture.

That occurred in 1968, when he sold an intercom system to a New York stock brokerage firm. That system was intended to enhance security procedures for two guards who had to cover multiple entrances to the building, but

A Personal Best

LESSONS OF LEADERSHIP

Whittelsey and his wife, Frances, discuss one of the many telecommunications products they test thoroughly at their New York firm.

it could carry only six conversations simultaneously, and that was not enough during peak hours.

Searching outside his own firm for a solution, Whittelsey happened upon Executone of Suffolk County, Inc., which was then being run as a sideline business by a stationery store owner. Executone offered a telephone system that allowed up to 50 simultaneous conversations; that system solved his client's security problem.

The stationery store owner was nearing retirement and seeking to sell his \$350,000-a-year Executone subsidiary. The timing was intriguing; federal courts had just allowed telephone companies to sell, rather than lease, equipment. The industry was clearly poised for dramatic change. Whittelsey scraped together \$5,000 for a down payment, added \$22,000 in promissory notes and bought Executone of Suffolk County, Inc., in 1969.

Much of the firm's business in those days was in sales and service of PBX systems, and from the start Whittelsey emphasized that service was as important as sales. He knew that the average business person does not care how electronic equipment works—as long as it does work, efficiently and effectively. Whittelsey met that need, selling products he had tested thoroughly and creating a service department on call 24 hours a day and radio-operated for fast response.

Seven years after he began, Whittelsey took over Executone of Nassau County, which had fallen on hard times. He estimates he spent about \$150,000 that year "to make things right" and restore customer confidence. He merged the two companies into Executone/Long Island, Inc.

Then came "the day the world changed," as it's known in the telecommunications industry—Jan. 1, 1984. Divestiture became official, and the seven new regional Bell companies entered the sales market with a vengeance, selling telecommunications equipment at bargain-basement prices.

"We didn't have deep pockets," Whittelsey says. "We had to become much more efficient, and we had to continually emphasize customer service."

Product lines changed. The demand for expensive PBX systems gave way to demand for more economical key systems, yet Whittelsey knew it was critical for him to render the same qual-



ity of expertise and service for a \$3,000 sale as for a \$50,000 sale. He credits his accountant, Jay Beinstock, with teaching him to keep his eyes open for the early warning signals of business difficulty.

"Every day I know how much money is in the bank," he explains. "I know how much business came in. I know how much business is in progress. I listen to what the service technicians tell me, what the salespeople tell me. If I see a decline in the number of service contracts, for example, that worries me."

"I look at a lot of numbers. With each quarterly statement, I sit down with Jay Beinstock and with my controller, Loretta Connor, and see what numbers have shifted and ask why."

"I don't have an automatic machine that stamps my signature on bills. They all come to my desk, and I look at them. I take them to the person responsible and ask, 'What's this for?' I'm a watchdog. Businesses today have to act like the wolf is at the door."

That doesn't mean he won't take risks, however.

Whittelsey, who is active in both the New York State Telephone Association (he is vice president) and the North American Telephone Association, recently joined forces with the "enemy." His firm became an authorized sales representative for New York Telephone's Centrex system, "which gives us only one third of the dollar volume on the hardware that we would get if we sold a PBX system," he says. "But if that is the right solution for the customer, that is what we're going to recommend. We want to introduce new products that make sense, that enhance

the system. We come to the table with the full menu, versus competitors who say, 'This is my box, and you're going to fit into it.'"

Whittelsey is convinced that the full menu of the future will combine the benefits of voice and data technology. This is apparent in his latest product offering—voice mail, a system for transmitting and receiving voice messages via touch-tone telephone.

Messages of varying length are stored on a hard computer disk and can be retrieved, added to, held or forwarded to a single user or a group. A beeper alerts the user whenever a message is waiting. Says Whittelsey: "I think voice mail is one of the few office automation products introduced in the last 10 years that actually has applications for almost any kind of business."

What he first did with telephone systems, Whittelsey is now doing with computers: installing, programing and debugging his own local area network.

Executone/Long Island's local area network is partially in service now, and by the time it is fully operational it will track every aspect of Whittelsey's business, from the moment a salesperson identifies a lead, through sale, installation, service—and beyond. It will be able to tell Whittelsey, at the push of a button, if the wolf is approaching the door. And only when it is working to his satisfaction will he consider adding it to his product line.

Service is another matter. If a problem develops in the system Whittelsey is currently testing, the computer has to be driven to one shop for service, the printer to another, the modem to a third. As a businessman, Whittelsey knows such far-flung errands eat into productive time, so before he offers any computerized product to his customers he assures himself that his technicians can provide on-site service.

Sitting in his office, surrounded by photos of his family (he is already grooming Eric, 7, and Chris, 5, for futures in the entrepreneurial world) and by memorabilia of his yachting escapades, Whittelsey considers his ability to survive in a free-wheeling market.

"I'm glad that Dennis Conner won back the America's Cup," he says, "but I hope someone takes it away from us again, so we fight harder for it. I think we got a little lazy, going for so long without much real competition." ■

Editorials

The nation's entrepreneurs are fiercely opposed to government initiatives that will add to their costs as employers.

"A New Era" Looks Like An Old One

When Sen. Edward M. Kennedy (D-Mass.) assumed the chairmanship of the Senate Committee on Labor and Human Resources at the outset of the 100th Congress, he declared: "This is a new Congress, and it marks the beginning of a new era."

What it actually marked was a return to an old era, one in which organized labor's wish list effectively constituted the Labor Committee's agenda.

It is like old times for the AFL-CIO. The committee has a Democratic majority and a chairman with a 93 percent record of support for labor positions throughout his tenure in Congress.

And Kennedy is pressing a labor/liberal program that would not only cost employers and taxpayers billions of dollars but would also bring the federal bureaucracy far more deeply into the day-to-day management of companies (see "What Labor's Agenda Could Cost You," page 28). Smaller businesses, struggling with limited resources, would be particularly hard hit.

If labor's legislative campaign succeeds, employers would pay higher wages to several categories of workers, would incur sharply increased costs to provide mandated worker benefits and would come under sweeping new federal controls and regulations in many areas.

The increased costs that would be imposed on employers represents a change in strategy for labor. It is taking that approach because it realizes the antitax mood of the public would not permit use of government-financed social programs to achieve the same goals. As Secretary of Labor William Brock says of the move to require employers to finance government-mandated social goals: "If the government wants them, let the government pay for them. And if the government can't afford to pay for them, either you don't do them or you go to the American people with a tax increase and let them vote."

Those members of Congress who are listening so attentively to the AFL-CIO

Labor Secretary William Brock: "If the government wants [to mandate social goals], let the government pay for them."



PHOTO: NATION'S BUSINESS

on labor issues might find it politically rewarding to listen to the views of another constituency growing far faster than organized labor—small business.

The nation's entrepreneurs, who are creating an overwhelming percentage of the jobs being added to the economy, are fiercely and understandably opposed to government initiatives that will add to their costs as both employers and taxpayers and bring them under still more oppressive federal controls.

The labor agenda is a formula for wiping out jobs, not enhancing them. It is no surprise that the leaders of organized labor cannot see that.

But we are confident that, as the potential impact of these issues becomes more apparent, a majority of members of Congress will recognize what is actually at stake in the labor agenda.

Competition Is The Best Watchdog For Government Contractors

In the wake of all those news accounts about costly toilet seats and coffee pots for the military, there is a flood of proposals for even tighter controls on government contractors.

For example, Comptroller General Charles S. Bowsler is calling for creation of an office empowered to audit not only the government but also the private-sector operations of large federal contractors.

Sponsors of such proposals usually assume that government contractors routinely bill the government at excessively high levels.

They ignore the fact that many of the items that have been spotlighted in the news of late are one-of-a-kind or few-of-a-kind items with a high unit cost. Government contractors are also called upon to make substantial expenditures for research and testing before the government accepts a product.

And that product must frequently be able to stand up to use under extraordinary conditions, such as zero gravity, extremes of temperature and speeds several times that of sound.

It should also be recognized that past "excessive profit" laws have failed to save tax dollars. For example, the Renegotiation Board, an agency created after World War II, was disbanded in 1979 when Congress discovered that the board was spending \$10 for each dollar it recovered.

The surest way to obtain the most favorable price is to stimulate competition. Allowing bureaucrats to grill contractors and pore over their books will lead to less competition because many firms will conclude that the business is not worth the government intrusion.

Congress ought to let the comptroller general's request go the way of the Renegotiation Board. ■

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